

# Tax status of Scientology in the United States

The **tax status of the Church of Scientology in the United States** has been the subject of decades of controversy and litigation. Although the Church was initially partially exempted by the Internal Revenue Service (IRS) from paying federal income tax, its two principal entities in the US lost this exemption in 1957 and 1968. This was due to concerns that church funds were being used for the private gain of its founder L. Ron Hubbard (according to the IRS) or due to an international psychiatric conspiracy against Scientology (according to Scientology).

In the course of a 37-year dispute with the IRS, the church was reported to have used or planned to employ blackmail, burglary, criminal conspiracy, eavesdropping, espionage, falsification of records, fraud, front groups, harassment, money smuggling, obstruction of audits, political and media campaigns, tax evasion, theft, investigations of individual IRS officials and the instigation of more than 2,500 lawsuits in its efforts to get its tax exemption reinstated. A number of the church's most senior officials, including Hubbard's wife, were eventually jailed for crimes against the United States government related to the anti-IRS campaign. The IRS, for its part, carried out criminal investigations of the church and its leaders for suspected tax fraud and targeted the church as a "dissident group" during the Nixon administration.

Although the church repeatedly lost in legal cases which were heard up to the level of the Supreme Court, it undertook negotiations with the IRS from 1991 to find a settlement. In October 1993, the church and the IRS reached an agreement under which the church discontinued all of its litigation against the IRS and paid \$12.5 million to settle a tax debt said to be around a billion dollars, and the IRS granted 153 Scientology-related corporate entities tax exemption and the right to declare their own subordinate organizations tax-exempt in future.

The terms and circumstances of the agreement remained secret until details emerged through leaks and litigation from 1997 onwards. They have attracted controversy for their perceived favorability towards the church and have been described as unconstitutional by federal courts for their bestowal of privileges on Scientologists that are shared by no other religious group. Questions have also been raised about whether the IRS exceeded its authority by effectively overruling the Supreme Court in setting the terms of the agreement and permitting tax deductions not authorized in law. However, legal commentators have concluded that the agreement can effectively no longer be challenged in court.

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## Early corporate structure

L. Ron Hubbard initially incorporated Scientology in April 1952 as a for-profit entity called the Hubbard Association of Scientologists (HAS).<sup>[1]</sup> It was not at first presented as a religion. However, in April 1953 Hubbard wrote to a colleague to canvass her views on pursuing "the religion angle" to improve Scientology's business prospects.<sup>[2]</sup> Soon afterwards, in December 1953, he incorporated the first Church of Scientology in Camden, New Jersey.<sup>[3]</sup>

Hubbard made no secret of why he was interested in a religious approach. Jana Daniels, one of Hubbard's early followers, recalled that among Scientologists the move to a nominally religious status "was a most unpopular idea until it was explained by Mr. Hubbard that for tax reasons, a church would get a better shake."<sup>[4]</sup> On February 18, 1954, the Church of Scientology of California was incorporated by Burton Farber, a local Scientologist. It was subordinate to the Church of American Science, an entity headed by Hubbard, to which it paid a twenty percent tithe. A "Founding Church of Scientology" was also established in Washington, D.C.<sup>[5]</sup>



Scientology's founder L. Ron Hubbard in 1950

The HAS was dissolved the following June and was replaced by the Hubbard Association of Scientologists International (HASI). Hubbard explained that this was intended to give Scientology "complete security from legal interference" due to "the constitutional guarantees of a Supreme Court ruling that no state shall take action to prevent operation of any organization concerned with the study of the human soul."<sup>[6]</sup> The HASI would operate as the parent organization which franchised local Scientology churches or "orgs" and received ten percent of their gross income.<sup>[4]</sup>

## Initial tax exemption and revocation

The Internal Revenue Service awarded tax exemption to the California and Washington, D.C. churches in 1956 and 1957 respectively. In 1958, however, the Washington church lost its tax-exempt status on the grounds that its tenets and practices did not constitute an exclusively religious or educational activity.<sup>[7]</sup> A key factor in the revocation of its exemption was the issue of private inurement – the use of tax-exempt monies to benefit a non-tax-exempt individual or entity. The Court of Claims found that Hubbard and his family had profited from the Washington Church of Scientology. He had been given \$108,000 over four years by the church, along with the free use of a car and a private residence. His family had withdrawn thousands of dollars from the church's funds and his wife Mary Sue had earned over \$10,000 from renting property to it. Hubbard had also been tithed ten percent of the church's gross income.<sup>[8]</sup> The church appealed to the US Court of Claims, but lost. The court ruled that Scientology was a "business, a profit-making organization run by Hubbard for his personal enrichment."<sup>[7]</sup>



The Founding Church of Scientology in Washington, DC

In 1959, Hubbard moved to England where he purchased Saint Hill Manor in East Sussex to serve as a family home and world headquarters of Scientology.<sup>[9]</sup> Over the following seven years, he tried repeatedly to establish a tax-exempt corporate vehicle in the United Kingdom by establishing multiple limited companies under the aegis of various Scientology entities and applying for non-profit status. However, the British Inland Revenue consistently refused the applications.<sup>[10]</sup>

The Church of Scientology of California (CSC), a fairly minor part of the Scientology corporate structure at the time, had managed to retain its tax exemption. In contrast to the Washington "Founding Church", an IRS audit concluded in 1964 that it was operating for legitimate tax-exempt purposes and reconfirmed its tax-exempt status.<sup>[11]</sup> Hubbard took advantage of this in March 1966 by transferring the HASI's assets in the US, the Commonwealth and South Africa to the CSC.<sup>[7]</sup><sup>[10]</sup> By transferring Scientology's overseas operations to the control of the CSC, he was able to take advantage of reciprocal tax exemption agreements to ensure that Scientology could operate internationally under the tax-exempt mantle of the CSC.<sup>[11]</sup>

The "Founding Church" in Washington, D.C. had an ongoing lawsuit against the US Government for a refund of the federal income taxes that it had to pay following the loss in 1957 of its tax exemption. The Department of Justice wrote to the IRS asking it to review the tax-exempt status of the CSC and other Scientology entities, believing that the CSC's exemption was inconsistent with the earlier revocation of the Founding Church's exemption. In July 1966 the IRS sent the CSC a letter stating that it proposed to revoke tax exemption on the grounds that the CSC's income was inuring to the benefit of Scientology practitioners, it was engaged in commercial activities, and it was serving the private interests of L. Ron Hubbard. On July 18, 1967, the IRS officially revoked the CSC's tax exemption with retroactive effect.<sup>[11]</sup> The Founding Church's case against the government went before the US Court of Claims in July 1969, where it argued that it should be exempted from federal income tax as it was constituted "exclusively for religious purposes." Its argument was rejected,<sup>[12]</sup> setting the scene for what Scientology's leadership would later characterize as a "war" with the IRS.<sup>[7]</sup>

The IRS's revocation of tax exemption was, however, not total. While the California and Washington Scientology organizations lost their tax exemption over the issue of inurement and their business practices, fourteen other separately incorporated organizations around the US gained or retained exemption despite some very similar concerns about their activities. The agency's approach to the other organizations was somewhat inconsistent. A 1972 IRS memorandum on the Church of Scientology of Florida (CSF) recommended that its exemption should be revoked because it had not established that its funds were being used for charitable purposes. Despite this, no action was taken and the CSF retained its exemption.<sup>[13]</sup>

## Scientology's views of taxation and the dispute with the IRS

Underlying the dispute with the IRS was what a court later called Scientology's "scripturally based hostility to taxation".<sup>[14]</sup> It derived to a large degree not from religious belief but political ideology. Hubbard had for many years expressed strident opposition to Communism, denouncing colleagues to the FBI for supposedly being Communist infiltrators<sup>[15]</sup> and claiming that the Soviets were trying to obtain his discoveries.<sup>[16]</sup> He wrote in 1956 that mankind had become so desperate that "he will buy almost any ideology whether it is communism or druidism. He will buy the garbage of Marx and even write it unsuspectingly into the United States Constitution under the heading of 'Income Tax.'"<sup>[17]</sup>

Soon after the Washington church lost its appeal against the withdrawal of tax exemption, Hubbard issued a bulletin to Scientologists urging them to campaign for radical reform of income tax in the United States on the grounds that the "basic principles of US income tax were taken from *Das Kapital* and are aimed at destroying capitalism. Unless the US ceases to co-operate with this Red push, Communism could win in America."<sup>[18]</sup> Income tax was also a symptom of impending fascism, in Hubbard's view; in an undated note issued to Scientologists, he wrote, "It is highly possible that a government only enters upon individual taxation when its ability to produce service for its citizens has dropped below the point of non-existence. A government is justified only so long as it serves the people. A business goes bankrupt when it is not voluntarily contributed to. A government goes Fascist."<sup>[19]</sup>

In later years, he characterised income tax as an alien mind implant left over from the galactic tyrant Xenu's genocide of billions of beings on Earth 76 million years ago. In a 1968 lecture, he told Scientologists that "the United States just copies income tax", which had been used by Xenu to bring in his victims: "One of the mechanisms they used was to tell them to come in for an income tax investigation."<sup>[20]</sup> Hubbard said that in the last few thousand years, income tax had been used as a punishment by the alien Marcabian civilization, which "looks an almost exact duplicate, but is worse off than the current U.S. civilization".<sup>[21]</sup>

The Church of Scientology has never accepted that the IRS's concerns over its finances had any legitimacy. It argues instead that what it calls "the IRS campaign" was prompted by a conspiracy instigated by psychiatrists opposed to Scientology.<sup>[22]</sup> Hubbard told Scientologists in a 1967 tape recording that Scientology's "enemies on this planet are less than twelve men. They are members of the Bank of England and other higher financial circles. They own and control newspaper chains, and they are, oddly enough, directors in all the mental health groups in the world which have sprung up ... [and] they control of course income tax, government finance".<sup>[23]</sup>

In a similar vein in October 1993, Hubbard's successor David Miscavige gave a speech to the International Association of Scientologists in which he claimed that after failing to crush Scientology in its first few years, "the psychs tuned to the modern day, 20th century inquisitors. The creatures of the night. That's right, the vampires. And not little vampires, but the ones who suck the blood from the whole country and so the villain of this plot came on the scene - the Internal Revenue Service." He said that the IRS's chief counsel had conspired with psychiatrists and arranged for "arbitrary denial of tax exemption to every existing Church of Scientology in the United States". According to Miscavige, it was "an inbred trait of the IRS to hate Scientology and desire its destruction."<sup>[24]</sup>

## Scientology's war: the 1960s and 1970s

Tax evasion, money smuggling and inurement

At the time that the CSC lost its tax exemption, Scientology faced controversy in multiple countries around the English-speaking world. It had been banned in the Australian states of Victoria and South Australia following a scathing report by a public inquiry. It faced pressure from the media, politicians and mental health professionals which led to further inquiries in Canada, New Zealand, South Africa and the United Kingdom.<sup>[25]</sup>

Hubbard determined at the end of 1966 that he would leave these problems behind by relocating Scientology's leadership, and himself, aboard a small fleet of ships that would travel around the Mediterranean and eastern Atlantic, out of reach of governments and the media. An elite group of the most committed Scientologists – the Sea Organization, or Sea Org – accompanied Hubbard, crewed the ships and received training in the most advanced levels of Scientology as they were being developed by Hubbard.<sup>[26]</sup> He resigned as President and Executive Director of the HASI, though this supposed relinquishment of management was a fiction; he continued to issue a stream of executive directives and policy instructions and managed Scientology from his ship via a worldwide telex network.<sup>[27]</sup>

Financial support for the Sea Org was initially provided by the Hubbard Explorational Company Ltd (HEC). Hubbard held ninety-seven of the hundred issued shares. In late 1966, the Church of Scientology of California began paying \$15,000 per month to the HEC, and made a one-off payment of \$125,000 to one of Hubbard's Swiss bank accounts. He also ordered every Scientology organization to set up an "LRH Good Will Repayment Account" at its local bank and instructed the CSC to buy Saint Hill Manor from him. By this time, Saint Hill was enormously lucrative, taking in up to £40,000 (equivalent to \$110,000 at the time) a week.<sup>[28]</sup>

The UK-registered HEC was replaced after about 18 months by the Operation and Transport Corporation, Ltd. (OTC). This entity was incorporated in Panama – a well-known tax haven – in February 1968 by Hubbard, his wife and Leon Steinberg,<sup>[11]</sup> a Sea Org member who served as supercargo aboard one of Hubbard's ships.<sup>[29]</sup> Immediately after the trio incorporated OTC, they resigned and were replaced by three Sea Org members.<sup>[11]</sup> Hubbard, however, remained very much in control; he held ninety-eight of the 100 issued shares<sup>[30]</sup> and the US Court of Claims later found OTC to be a "sham corporation".<sup>[11]</sup>

The Sea Org had no separate corporate identity, so the activities of the Scientology fleet were carried on through a division of the Church called Flag (for "flagship"), based aboard Hubbard's flagship *Apollo*. Money was funnelled from the CSC to Flag, which usually relied on cash to pay its bills, with little regard for the law. When the United Kingdom introduced restrictions on currency exports in 1968, Scientologists travelling to join Flag were instructed to smuggle large amounts of cash with them. One Sea Org member, Mary Maren, later recalled: "They gave me about £3,000 in high-denomination notes to take out to the ship. I hid it in my boots." Leon Steinberg, one of OTC's three co-founders, became an adept forger; his creations were dubbed "Steinidocuments" by the Scientologists.<sup>[29]</sup>

Hubbard himself received huge sums. While ordinary Sea Org members were receiving \$10 a week, Hubbard was being paid \$15,000 a week (equivalent to \$100,100 today) via the HEC and other Scientology entities. When one of his Swiss bank accounts had to be closed in 1970, \$1 million in cash was transferred to the *Apollo*.<sup>[31]</sup> Mike Goldstein, who was appointed Banking Officer aboard the *Apollo*, recalled that there "were drawers full of money everywhere and more than a million dollars in the safe, but no proper accounts. We paid for everything in cash and were working with three different currencies – Spanish, Portuguese and Moroccan – and it seemed that if anyone wanted money for something they just asked for it."<sup>[32]</sup>

Goldstein's role as banking officer was supposed to be the responsibility of OTC, which purportedly delivered banking services to Flag. However, in reality OTC had no offices, officers or employees. Flag's funds were deposited in OTC's Swiss bank accounts, on all of which Hubbard was a signatory. In 1972, Hubbard had \$2 million in cash transferred from OTC's accounts to the *Apollo*, where it was stored in a locked file cabinet to which only his wife Mary Sue had the keys.<sup>[11]</sup>

Another vehicle for inurement was the United States Churches of Scientology Trust, described by the US Court of Claims in 1984 as "a bogus trust controlled by key church officials" including Hubbard himself as, initially, the sole trustee. It was operational from at least 1970, though it was not put on a legal footing until 1973.<sup>[11]</sup> Three tax-exempt Scientology organizations in Michigan, Minnesota and New York joined the Washington and California churches in a June 1973 agreement to pay ten percent of their monthly incomes to the trust. Mary Sue Hubbard later replaced her husband as a lifetime trustee with the power to appoint two other trustees for two-year terms.<sup>[33]</sup> The trust's money was held in Swiss bank accounts for the ostensible purpose of the defense of Scientology, though the US Court of Claims found little evidence that the money was actually used for that purpose.<sup>[11]</sup>

In addition, Hubbard and his wife were paid directly by the church. The couple's salary payments rose from \$20,000 in 1970 to over \$115,000 by 1972, and the church also paid for their lodging, food, laundry and medical services. Scientology orgs tithed an additional ten percent of their income to Hubbard.<sup>[11]</sup>

The torrent of cash being funneled to Hubbard had the ostensible justification of "debt repayments". In 1966, an LRH Finance Committee was established with the aim of determining how much the church supposedly owed him. He told the press that he had "forgiven" a \$13 million debt. The Committee appraised the Saint Hill estate as having a "business goodwill" value of £2 million, though Hubbard had purchased it for less than £100,000, and included in the debt personal items of expenditure such as the purchase of a yacht in 1940 – twelve years before Scientology had been founded.<sup>[27]</sup>

Obstruction of the IRS and conspiracy to defraud

When the Church of Scientology of California lost its tax exemption, it reverted to the status of a regular taxpayer. The church, however, did not accept its new status. Despite being told that it now needed to file income tax return forms, it continued to file the less informative Annual Information Returns as if it were still a tax-exempt organization.<sup>[11]</sup> It also withheld payment of the taxes that it owed.<sup>[14]</sup>

The church adopted a range of obstructionist tactics to make it as difficult as possible for the IRS to carry out audits. Hubbard told Scientologists that he wanted to make the IRS "swim in circles". The church followed his lead by seeking to obstruct the IRS's efforts to audit the CSC's finances. The CSC's accountant, Martin Greenberg, told a meeting of Scientology officials in 1970 that he had purposefully made it difficult for the agency to audit the church. IRS agents were given at least two million documents jumbled up in a random order with the intention, according to Greenberg, of making the IRS's examiner so overwhelmed that he would give up and accept Scientology's version of the facts.<sup>[11]</sup>

When another Scientology church faced an audit in 1972, Greenberg advised staff to "give the IRS agent a bunch of records in a box in no semblance or order, to place the agent in a dark, small, out-or-the-way room, to refuse to give practical assistance like locating records, and to notify petitioner's Guardian Office immediately of the agent's presence." The scheme proved effective, and a two-year effort by the IRS to audit the church's finances between 1971 and 1973 ended in failure.<sup>[11]</sup>

The church occasionally resorted to outright forgery. It falsified its own financial records to conceal the role of OTC, including creating fake invoices purporting to show that OTC had provided the CSC with training and consultation services. Further falsification took place in the spring of 1975 when a project was undertaken to falsify financial records aboard the *Apollo* in anticipation of an IRS audit. This plan, which the US Court of Claims ruled was part of a conspiracy to defraud the United States, was put into effect after church officials grew concerned that the outflow of cash from the CSC to OTC would jeopardise the CSC's tax-exempt status.<sup>[11]</sup>

Hubbard also considered using a front group, the United Churches of Florida, to "preserve the assets of Scientology" in the event that the church lost its fight with the IRS. He wrote in a 1975 memorandum, "We must be...prepared...to go right on operating throughout the U.S. and work until we get a straitjacket on IRS. The ultimate objective of IRS is to knock out all Scientology organizations in the U.S. on the pretext of tax. Thus newly operating under new corporate status that does not connect [with Scientology] is the



obvious last-ditch effort."<sup>[34]</sup>

### Espionage

While the church was fighting the IRS in the courts, it also mounted a sophisticated seven-year campaign of espionage against the agency and numerous other government and business organizations in the US, Canada, UK and other countries. Its methods included burglaries, electronic eavesdropping, infiltration and theft of government documents on a massive scale. The campaign was intended to bolster its effort to regain tax exemption, but ended disastrously for the church when it was exposed and led to the imprisonment of some of its most senior leaders, including Hubbard's wife Mary Sue.

The church's espionage campaign was run by the Guardian Office (GO), a department of the church established by Hubbard in 1966. It took over the mission of the church's short-lived Public Investigation Section to "help LRH [Hubbard] investigate public matters and individuals which seem to impede human liberty so that such matters may be exposed and to furnish intelligence required in guiding the progress of Scientology." He instructed its staff to target critics of Scientology and "start investigating them promptly for FELONIES or worse using own professionals, not outside agencies ... Start feeding lurid, blood sex crime [sic] actual evidence on the attackers to the press."<sup>[35]</sup> He also ordered his followers to "bring the government and hostile philosophies or societies into a state of complete compliance with the goals of Scientology. This is done by high level ability to control, and in its absence, by low level ability to overwhelm. Introvert such agencies. Control such agencies."<sup>[36]</sup>

The GO was headed by Mary Sue Hubbard, the "Commodore Staff Guardian" (Hubbard was the "Commodore"), with Jane Kember carrying out day-to-day management as the Guardian World Wide. It employed Scientologist volunteers as agents to help it carry out intelligence operations against its targets. In April 1972 the GO developed a three-pronged strategy to target the IRS.<sup>[11]</sup> Several intelligence operations were instigated:

- **Operation Search and Destroy** targeted organizations and individuals providing information to the IRS. The GO would use overt or covert means to obtain information which could be used to discredit them, while avoiding any disclosure of Scientology's involvement. The GO had already obtained information on IRS informants and sought to expand its coverage.
- **Operation Random Harvest** sought to document criminal activity on the part of the IRS.
- **Operation Paris** aimed to identify individual IRS officials working on Scientology tax matters and investigate their background and activities. A 'plant' would be recruited to develop social and political contacts with IRS personnel.<sup>[11]</sup>
- **Operation Juicy Clanger** targeted tax records of prominent politicians and celebrities. Scientology operatives infiltrated the Los Angeles offices of the IRS and stole confidential files on California's governor Jerry Brown, Los Angeles' mayor Tom Bradley, the singer Frank Sinatra and the actress Doris Day, as well as attempting to steal John Wayne's tax records.<sup>[37]</sup> The church appears to have intended to blackmail the IRS;<sup>[38]</sup> the operation envisaged the church pretending that it had received the stolen tax records from a whistleblower and threatening to release them to create what the plans described as "an additional pressure on [the IRS] to finish the audit [of Scientology tax matters] favorably".<sup>[37]</sup>

A number of other espionage "projects" – subplans of wider operations against the IRS – were also developed:

- **Project Horn** was a plan to covertly release stolen documents without revealing the thieves' identity. The records of other taxpayers would be stolen and released along with those of the Church of Scientology. A GO operative within the IRS was instructed to steal letterheaded stationery from the agency so that letters could be forged in the name of a non-existent whistleblower supposedly responsible for the leaks.<sup>[39]</sup> The operative did so and also stole tax records for Bob Jones University and the Unification Church.<sup>[40]</sup>
- **Project Beetle Cleanup** called for the theft of "all DC IRS files on LRH, Scientology, etc., in the Intelligence section, OIO [Office of International Operations], and SSS [Special Services Staff]". It ordered the placement of agents in the "required areas or good access developed".<sup>[40]</sup>
- **Project Troy** was aimed "to get prediction on future IRS actions" by planting a permanent bugging device in the office of the IRS Chief Counsel. Information acquired by eavesdropping would be used to brief the church's lawyers to mount defensive actions.<sup>[40]</sup>

In October 1974 the GO set out a plan – Guardian Order 1361 – to infiltrate IRS offices in Los Angeles, Washington and London, steal files on Scientology and Hubbard and develop a cover story to disguise how the information was obtained.<sup>[39]</sup> To address a situation that it summarized as the IRS "persisting in its attack upon the C of S and LRH ... despite extensive legal and PR handling", it set out an "ideal scene" envisaging "[the] IRS with no false reports in their files on Scientology, uninterested in Scientology taxes, other than as a routine matter, doing their jobs and busy elsewhere with the usual red tape of a bureaucracy, with the psychotics located and their influence eliminated."<sup>[41]</sup> It called for the GO to "immediately get an agent into DC IRS to obtain files on LRH, Scientology, etc. in the Chief Council's [sic] office, the Special Services staff, the intelligence division, Audit Division, and any other areas."<sup>[40]</sup> The agent was to obtain "every single false report in every single IRS file. Once the data has been revealed, the lies can be corrected, the SPs [Suppressive Persons] isolated and handled, further PR and legal actions initiated and the IRS attack turned off."<sup>[41]</sup>

Scientology operatives broke into the room in the IRS's headquarters building where staff credentials were made and created fake credentials for other operatives to use.<sup>[42]</sup> The following month, the operatives infiltrated the office of the IRS's Chief Counsel and planted an electronic listening device to eavedrop on a meeting of senior IRS officials dealing with the church's tax affairs. They parked outside in the Smithsonian Institution's driveway and recorded the proceedings via their car's FM radio.<sup>[39]</sup>

The GO also used the Freedom of Information Act (FOIA) to manipulate the IRS into making it easier for Scientology agents to steal documents. FOIA requests were made to the IRS in the belief that it would result in all of its Scientology files being collated in one place so that IRS attorneys could review them. Scientology agents could then burgle the office where they were being held and obtain them. This plan was successful, and Scientology operatives reported that they had gained access to all of the documents held by the IRS's FOIA attorney.<sup>[11]</sup> By May 1975, the operatives had stolen more than 30,000 pages of documents, equivalent to a stack of paper ten feet (3.0 m) high, on Scientology and the Hubbards.<sup>[39]</sup>

A key objective of the GO's campaign was to uncover the individual who Hubbard believed was responsible for the IRS "attack" on Scientology. He told his followers that the IRS's interest in Scientology was due to "an insane individual with insane plans" who was operating a "false reports factory." He ordered the GO in June 1975 to "find the who back of these IRS attacks and document it for exposure plus all other items of interest. It could be IRS and the government is attacking any vocal group to pave the way for some coup by the government. Evidence as to the why of these attacks must be gotten, powerful enough to destroy the attackers when eventually used or revealed."<sup>[41]</sup>

By the mid-1970s the church's senior leadership had become increasingly concerned that Hubbard himself faced possible indictment for tax evasion. He wrote a secret minute to the Guardian Office on November 26, 1975 in which he told the GO: "WE COUNT ON YOU GUYS TO MOW THE IRS DOWN AND WIN ACROSS THE BOARDS".<sup>[43][44]</sup> A month later, the GO issued Guardian Program Order 158, "Early Warning System", ordering the establishment of a monitoring system "so that any situation concerning



Mary Sue Hubbard, who directed many of Scientology's espionage operations, pictured in 1957



The Internal Revenue Service Building on Constitution Avenue in Washington, D.C., which was infiltrated by Scientology agents in the 1970s

governments or courts by reason of suits is known in adequate time to take defensive actions to suddenly raise the level on LRH Personal Security very high". An agent was to be inserted into the IRS Office of International Operations, whose files on L. Ron and Mary Sue Hubbard and the Church of Scientology were to be obtained.<sup>[40]</sup> At the time, Hubbard was living in seclusion in La Quinta, California to avoid possible process servers and government agents.<sup>[45]</sup>

The GO initiated a new intelligence program against the IRS codenamed "Off The Hook" in June 1976, intended to get Scientology "off the hook, future threat nullified". It called for continued monitoring of IRS handling of Scientology tax exemption applications "on [Guardian Order] 1361 lines" – i.e. through the use of infiltration and theft of information – and ordered GO operatives to "ensure all attack preparation is completed and honed to razor sharp edge" in the event of any of the applications being denied. A program was also put in place to ensure "Founder's Protection from IRS Attack", requiring the "1361 Collection line" – the burglary team – to keep a close watch on the section of the IRS dealing with Hubbard's tax returns.<sup>[46][47]</sup>

On one occasion, the GO's espionage operation was nearly discovered by a cleaning lady who interrupted a burglary team at the IRS headquarters. She became suspicious and called a security guard, but the operatives were able to satisfy him of their credentials and persuaded him to open the locked door of the office they were trying to burgle.<sup>[42]</sup> They were not so lucky in June 1976 when a more alert security guard caught a GO operative in the building. The operative was released and a warrant was issued for his arrest, prompting the GO to move him to a safe house where he was put under a round-the-clock guard. He lived as a fugitive for eight months until he became so disgruntled by his virtual imprisonment that he escaped and went voluntarily to the FBI to make a confession.<sup>[48]</sup> A further misfortune befell the GO in July 1977 when a case containing secret documents about its burglaries of IRS offices in Washington was accidentally left in a Los Angeles parking lot. An attorney handed it in to the IRS.<sup>[11]</sup>

The exposure of the GO's operations led to one of the largest raids conducted by the FBI up to that time. On July 7, 1977, scores of FBI agents simultaneously raided Scientology premises in Washington and Los Angeles.<sup>[49]</sup> The documents they seized revealed the scale of the GO's illegal activities and resulted in the imprisonment of eleven senior Scientologists, including Mary Sue Hubbard, for conspiracy against the United States.<sup>[50]</sup>

## IRS investigations of Scientology

The Church of Scientology has claimed that it was targeted under President Richard Nixon's "enemies list", which cataloged over 250 organizations and individuals that the Nixon administration targeted through federal agencies including the IRS. It has pointed to a list of organizations of concern drawn up by the IRS in 1969. However, a review by the *Los Angeles Times* in 1978 showed that while the IRS listed the church as an organization that "by their very nature can be expected to ignore or wilfully violate tax or firearm statutes," there was no mention of enemies or any suggestion of harassment or retaliation. It was in the context of a drive to consolidate overlapping investigations into groups that the IRS regarded as likely tax evaders.<sup>[51]</sup>

A number of investigations of Scientology were carried out by the IRS during the 1970s, notably from special intelligence units within the agency. In July 1969 the IRS established an Activist Organization Committee, later renamed the Special Service Staff (SSS), to investigate "dissident groups" for suspected breaches of tax laws. 99 organizations, including the Founding Church of Scientology, were targeted. The SSS was disbanded in 1973.<sup>[11]</sup>

Another IRS investigative body, the Intelligence Gathering and Retrieval Unit (IGRU), was established in 1973. This was responsible for gathering general intelligence unrelated to investigations of specific allegations. The information it gathered was thus very broad in scope, and often unrelated to the enforcement of tax laws. The CSC was designated a "tax resister"; papers relating to it were held in a file labeled "subversives", which contained materials only about Scientology. The IGRU was disbanded in 1975.<sup>[11]</sup>

IRS intelligence-gathering against Scientology was also managed in California through the state branch of the agency's Case Development Unit. Two special agents were responsible for gathering intelligence between 1968 and 1974 on CSC's operations and financial affairs.<sup>[11]</sup>

All three branches took an expansive view of their responsibilities in investigating Scientology. As well as filing reports on the organization's financial activities, they also collected information linking the CSC and other Scientology entities with criminal activities in various countries, including allegations of "homicide, blackmail, guerrilla training, break-ins, drug trafficking and the transportation of illegal firearms".<sup>[11]</sup>

The IRS considered imposing a 30 percent withholding tax on funds being transferred from the United States to overseas Scientology entities, but acknowledged in a March 1967 memo that this would have little effect on the main beneficiary of the transfers. It noted, "this would net little tax and not reach the real tax target – Hubbard."<sup>[51]</sup> In 1984, the Los Angeles office of the IRS launched a criminal investigation of Hubbard, prompted by defectors from Scientology alleging that he had skimmed off millions of dollars from church funds.<sup>[52]</sup> A letter was sent to Hubbard's representatives in September 1985 warning that he faced indictment for tax fraud.<sup>[53]</sup> David Miscavige and another senior church official, Pat Broeker, were also put under investigation.<sup>[54]</sup> An IRS official, Marcus Owens, said that thousands of agency staff were involved in the investigations. However, according to other federal officials, the Department of Justice was unwilling to spend money on a prolonged conflict with Scientology.<sup>[55]</sup> The investigation was called off after Hubbard died in January 1986, as it was regarded as moot by that point.<sup>[52]</sup> The church was informed by the IRS in November 1987 that no charges would be filed against it, Miscavige or Broeker.<sup>[56]</sup>

## Scientology's war: the 1980s and 1990s

The jailing of the GO's leadership led to radical changes within the Church of Scientology at the start of the 1980s, and in turn to significant changes in the church's strategy towards the IRS. The legal position of the Church and Hubbard himself – who stayed in hiding at a ranch outside Creston, California until his death in January 1986 – was still very precarious. To address this problem, he created an "All Clear Unit" (ACU), headed by David Miscavige, the then twenty-year-old head of the church's Commodore's Messenger Organization (CMO). Its purpose was to resolve all of the outstanding legal problems so that it would be safe for Hubbard to come out of hiding.<sup>[57]</sup> The ACU removed Mary Sue Hubbard from her post in 1981<sup>[58]</sup> and the GO itself was dissolved in 1983. Its functions were transferred to a new section, the Office of Special Affairs (OSA), under the effective control of Miscavige.<sup>[59]</sup>

One of the lines of activity that came out of the "All Clear" project was a push to resolve the dispute with the IRS. The stakes for the church were extremely high. According to Mark Rathbun, who worked with Miscavige as the church's Inspector-General, by the 1980s the IRS assessed the church's tax liability as upward of a billion dollars, at a time when Scientology's assets were only around \$200 million. Paying that liability would have wiped out the church several times over. Beyond the purely financial issues, though, Miscavige and Rathbun believed that tax exemption would have significant political and legal advantages. As Rathbun notes, "If you have tax exemption you have religious recognition, you're treated differently in courts, there's almost some level of First Amendment immunity."<sup>[60]</sup>



David Miscavige, the current leader of the Church of Scientology

Rathbun was tasked with mounting a campaign intended to overwhelm the IRS on multiple fronts.<sup>[60]</sup> This involved litigating on a massive scale, establishing front groups, applying political pressure, employing private investigators against individual IRS officials and ultimately reaching a negotiated agreement with the IRS. At the same time, the Church undertook internal changes intended to make it harder for the IRS to have visibility of its finances.

### Corporate reorganization

During the early 1980s, the Church of Scientology underwent a major financial and organizational reshuffle at the same time that it was continuing to funnel huge amounts of money to L. Ron Hubbard. Although he had supposedly resigned from managing the church in 1966 and had no contractual relationship with it, he was still receiving millions of dollars of church money annually. The church's executive director at the time, Bill Franks, said the question was "always how to get more money into Hubbard's pocket and how to hide that from the IRS. There was literally cash all over the place. There would be people leaving from Florida for Europe with bags of cash on a weekly basis. There were hundreds of bank accounts." *Forbes* magazine reported that up to 1982, at least \$200 million had been gathered in Hubbard's name.<sup>[53]</sup>

To hide Hubbard's connection with the accounts, a shell corporation named the Religious Research Foundation was established in Liberia with bank accounts in Luxembourg and Liechtenstein. Franks systematically removed Hubbard's name from the accounts as signatory. He used RRF accounts as an intermediary to channel church money to Hubbard's secret bank accounts in Switzerland and Liechtenstein. By 1981, according to Franks, well over \$100 million had been funnelled to Hubbard this way.<sup>[53]</sup> In a single six-month period in 1982, a further \$34 million of church money was transferred from the RRF to Hubbard.<sup>[61]</sup>

The use of the RRF as an intermediary for channelling money to Hubbard was related to a project that the church termed the "Mission Corporate Category Sortout" (MCCS) at the start of the 1980s. According to Laurel Sullivan, a veteran Scientologist who was put in charge of it, the aim was to reshuffle Scientology's corporate structure to shield Hubbard from legal liability and conceal his income lines from the church.<sup>[53]</sup> Larry Brennan, who oversaw the legal aspects, says that it was additionally intended to give Hubbard and the CMO full legal control over Scientology while "insulat[ing] both Hubbard and the CMO from any legal liability for running the organizations of Scientology by lying about the level of control they really had." Brennan regarded this as fraudulent, but the church's organizational structure was so convoluted that the fraud was almost impossible for outsiders to uncover.<sup>[62]</sup> At a September 1980 meeting between Scientologist lawyers and church officials, one of the attendees acknowledged in a tape-recorded conversation that the RRF "obviously is the classic case of inurement, if not fraud."<sup>[63]</sup> The US 9th Circuit Court of Appeals later concluded that "the purpose of the MCCS project was to cover up past criminal wrong-doing [and] involved the discussion and planning of future frauds against the IRS."<sup>[64]</sup>

The church says the MCCS plans did not go ahead, but a major corporate reorganization took place regardless.<sup>[65]</sup> The Church of Scientology of California, which had hitherto been the "Mother Church" of Scientology, was turned into little more than a shell corporation. Its assets and responsibilities were split between a series of newly created corporations, notably including the Religious Technology Center, chaired by David Miscavige, and the closely linked Church of Spiritual Technology.<sup>[66]</sup> The church's franchises were issued with new contracts and told to register as separate corporations under licence to the RTC. This approach was described by Lyman Spurlock, its Corporate Affairs Director, as being "designed to make the whole structure impregnable, especially as regards to the IRS."<sup>[67]</sup> All Scientology organizations were effectively subordinated to the RTC. Steve Marlowe, the RTC's Inspector General, told Scientologists in a 1982 conference that "you have a new breed of management in the Church. They're tough, they're ruthless....They don't get muscled around by the IRS or by crazy loonies...you're playing with the winning team."<sup>[68]</sup> The church established a new branch called the International Finance Police, managed by an International Finance Dictator, to oversee its financial affairs.<sup>[69]</sup>

In 1987, an "audit task force" was created by Miscavige to make some sense of the church's tangled finances. Two hundred Scientologists were tasked with going through all the records in Washington and Los Angeles. One of Miscavige's secretaries, Tanja Castle, says that there was "a huge number of people putting together all of this information: binders and pictures, charts ... all the financial records from all the treasuries, all the way down to the lowest org." The task was challenging as the church's financial records were chronically disorganized and full of gaps. According to a Scientologist who served as a church finance officer at the time, "there really were no books. Had anyone from the IRS come in and looked at our finances, they would never have given us any kind of exemption. Some of these orgs hadn't recorded their income, yet their members were claiming on their tax forms that they'd donated tens of thousands of dollars to Scientology, and no one could prove it. They had no records that actually gave you any idea of what a church had, or what it spent – and I'm talking about all of the organizations all over the country."<sup>[70]</sup>

### Covert investigations

In his 1959 *Manual of Justice*, Hubbard set out an aggressive approach for dealing with individuals who were seen as enemies of Scientology, writing: "People attack Scientology; I never forget it, always even the score." Enemies of Scientology were to be hounded until they had either been neutralized or were forced to "shudder into silence":

When we need somebody haunted we investigate... When we investigate we do so noisily always. And usually investigation damps out the trouble even when we discover no really pertinent facts ... Intelligence we get with a whisper. Investigation we do with a yell. Always.<sup>[71]</sup>

Hubbard told his readers: "Of twenty-one persons found attacking Dianetics and Scientology...eighteen of them under investigation were found to be members of the Communist Party or criminals, usually both. The smell of police or private detectives caused them to fly, to close down, to confess. Hire them and damn the cost when you need to."<sup>[71]</sup> This playbook was followed against senior officials of the IRS, who were seen as enemies. As Stacy Brooks, then a senior Scientology official, has put it, "What you do with an enemy is you go after them and harass them and intimidate them and try to expose their crimes until they decide to play ball with you."<sup>[14]</sup>

The church hired private investigators to dig into the personal lives of IRS officials during the late 1980s and early 1990s. One investigator interviewed by *The New York Times* said the church had offered him \$1 million to find evidence of corruption among IRS officials. Another who worked for the church for 18 months said that, among other things, he had set up a fake news bureau, infiltrated IRS conferences, investigated properties owned by IRS officials for possible violations of building codes, surreptitiously obtained internal IRS documents and attempted to seduce a female IRS official.<sup>[14]</sup> He provided the church with the names and phone numbers of IRS agents that he felt could be blackmailed,<sup>[72]</sup> had a drinking problem or were suspected of cheating on their spouses.<sup>[73]</sup> Tenants in apartments owned by IRS officials found private investigators knocking on their doors and making allegations about their landlords.<sup>[14]</sup>

The campaign put significant pressure on the targeted officials. As one put it, it was "blatant harassment". He had experienced harassment from the Scientologists since the 1970s: "They have a nasty habit of finding your unlisted telephone number and calling you at two A.M., just to let you know they're there."<sup>[74]</sup> Other IRS officials experienced unusual occurrences. The garden hoses of one assistant commissioner were repeatedly turned on at night by parties unknown, while others found their dogs and cats going missing.<sup>[74]</sup> Whether or not these incidents were connected with Scientology, they contributed to the sense of menace felt by the agency's senior officials.<sup>[73]</sup>

The church justified its use of private investigators on the grounds that it needed "to counter lies spread by rogue Government agents". It cited as justification the fact that agents of the IRS Criminal Investigation Division had in turn investigated Scientology.<sup>[14]</sup> The fruits of the church's investigations were publicized by its fake news bureau and in the pages of the church's *Freedom* magazine, which it handed out on the steps of the IRS building in Washington.<sup>[74]</sup> In an internal magazine, it told its members:



This public exposure of criminals within the IRS had the desired effect. The Church of Scientology became known across the country as the only group willing to take on the IRS. And the IRS knew it, It became obvious to them that we weren't about to fold up or fade away. Our attack was impinging on their resources in a major way and our exposés of their crimes were beginning to have serious political reverberations.<sup>[75]</sup>

### Front groups and political pressure

Front groups played a high-profile role in the church's campaign to attack the IRS and put it under political pressure. It also mounted a public campaign of its own against the agency. In 1985, the church established a group called the National Coalition of IRS Whistle-Blowers,<sup>[76]</sup> which it funded for nearly a decade. It was created by Stacy Brooks while she was the managing editor of the church's magazine *Freedom*. She told the *New York Times* that the idea was "to create a coalition that was at arm's length from Scientology so that it had more credibility."<sup>[14]</sup>

The church recruited a retired IRS agent named Paul DesFosses, who left the agency in acrimonious circumstances in 1984, to head the coalition. It provided him with support and investigative assistance to find examples of wrongdoing in the IRS. The coalition's biggest success came in 1989 when its investigations prompted a congressional inquiry into allegations of wrongdoing by IRS staff in Los Angeles.<sup>[52]</sup> The group claimed to have 5,000 members who were said to be mostly current and former IRS employees. Scientologists affiliated with the coalition demonstrated outside the IRS offices in Washington in 1990 and offered a \$10,000 reward for information on "IRS abuses," but attracted little interest.<sup>[76]</sup>

A second front group was Citizens for an Alternative Tax System (CATS). It was headed by Steven L. Hayes, a prominent Scientologist, to promote L. Ron Hubbard's idea of a national retail sales tax to replace the federal income tax and make the IRS redundant.<sup>[77]</sup> According to Vic Krohn, a veteran Scientologist and former Guardian Office member who served as the first Executive Director of CATS, it was a project of the church's Office of Special Affairs. It was created by "a special unit dedicated to keeping the churches open under increasing IRS pressure" but its connections with the church had to be deniable. As Krohn puts it, "In order to meet the corporate requirements (IRS provisos making substantial political activity a disqualifying factor for church tax-exempt status) for such blatant political/economic reform activity, CATS needed to operate independently of the church. It was a constant battle to keep CATS activity off of OSA social reform lines."<sup>[78]</sup> Hayes duly denied that the Church of Scientology had any role in CATS other than helping to establish it, but Krohn says that the church was still directing its affairs as late as 1993.<sup>[78]</sup>

CATS gained political support from conservatives, claimed to have 3,000 members, and published glossy advertisements paid for by the International Association of Scientologists.<sup>[79]</sup> However, its ties to Scientology proved toxic for its longer-term success and deterred potential allies. Its proposals were adopted instead by another conservative organization, Americans for Fair Taxation, which campaigned to promote a sales tax "without the taint of Scientologist involvement".<sup>[77]</sup> CATS's signature proposal was rebranded the "FairTax" and was eventually adopted by prominent Republican politicians including John McCain and Fred Thompson. CATS itself withered after 1993 and by 2005 it was virtually defunct.<sup>[77]</sup>

The church also mounted an overt political campaign against the IRS. Its magazine *Freedom* published anti-IRS stories under headlines such as "Speaking Out Against IRS Abuses".<sup>[80]</sup> It drew on IRS documents obtained through Freedom of Information Act requests to publish numerous stories attacking the agency.<sup>[81]</sup> In 1990, David Miscavige wrote an op-ed article for *USA Today* calling for the abolition of the IRS and the introduction of a value added tax to replace income tax. The church spent around \$6 million on full-page advertisements in *USA Today* and *The Wall Street Journal* castigating the IRS under headlines like "Don't Kill My Daddy!" and singled out individual IRS officials for condemnation.<sup>[72]</sup>

Scientology operatives were deployed on Capitol Hill to feed anti-IRS information to congressional aides. One former operative says that she had spent over a year working on the Hill to highlight the way that the IRS had handled taxpayers ranging from the Amish to small business owners. Her connection with Scientology was not a secret, but she aimed to "get people to come forward and show that there were attacks on other members of the public, not just on Scientology."<sup>[81]</sup> The church used IRS documents to argue that it had been unfairly targeted. It made much use of one memorandum from the 1970s documenting a meeting of IRS officials which Rathbun has dubbed the "Final Solution" conference, at which the IRS considered the possibility of changing its definition of a religion to exclude Scientology. Rathbun comments, "We used that [memo] I don't know how many times on them".<sup>[82]</sup>

Scientology was not without allies in its struggle with the IRS. A ruling against the church in 1980 had supported the agency's contention that it could withhold or revoke tax exemption from a body that violated "public policy," such as civil or criminal statutes. The same principle was upheld by the Supreme Court in 1982 when it revoked the tax exemption of Bob Jones University over that body's policies of racial discrimination. Other religious groups, including the National Council of Churches, lent their support to Scientology over concerns that the IRS's approach could result in religious freedom being curtailed through denying exemption to bodies with which the government disagreed on policy grounds.<sup>[83]</sup>

### Religious makeover

To buttress its case against the IRS, Scientology underwent what the *Los Angeles Times* called a "sweeping religious makeover".<sup>[84]</sup> Hubbard issued a directive ordering Scientology organizations to display religious paraphernalia such as crosses and copies of the "Creed" of Scientology, hold "Sunday services" and establish chapels in their buildings. He declared: "Visual evidences that Scientology is a religion are mandatory." Scientology auditors, previously known as counselors, were renamed "ministers" and instructed to wear white collars, dark suits and silver crosses.<sup>[85]</sup> Similarly, customers were renamed "parishioners" and franchises were renamed "missions".<sup>[86]</sup> The changes were unwelcome for many Scientologists, who were used to an entirely secular environment, and raised worries among staff members that the overt display of religiosity would drive people away.<sup>[87]</sup> The church also engaged with academics specializing in the study of religion, in an effort to bolster its contention that Scientology was a *bona fide* religion. A number of religious scholars were courted and given carefully controlled access to church facilities and suitably coached members, and testified on behalf of the church in court.<sup>[88]</sup>

### Further litigation

In September 1984, the US Tax Court issued a 222-page judgement upholding the IRS's revocation of the CSC's tax exemption. The court rejected the church's claims that it had been unfairly targeted and ruled that Scientology was substantially operated for commercial purposes, that its income inured to L. Ron Hubbard and others, and that the church "had the illegal purpose of conspiring to impede the IRS from collecting taxes due... and, thus, its activities, dictated at the highest level, violated well defined public policy." It drew extensively on the incriminating documents seized by the FBI from the Guardian Office and concluded, "When a religious organization loses track of its charitable mission and conducts its operations for profit or private gain, the reasons for the exemption are dispelled. The organization no longer serves the public benefit."<sup>[89]</sup> The decision was a disaster for the church, which appealed unsuccessfully to the 9th Circuit Court of Appeals and the Supreme Court.<sup>[84]</sup>

In the late 1980s, Scientology adopted a new litigation strategy aimed at overwhelming the IRS by suing it on a massive scale. It filed about 200 lawsuits against the agency, challenging its refusal of tax exemption and seeking to obtain documents that would show misconduct by the agency. It also prompted over 2,300 individual Scientologists to sue to demand that the IRS should allow them to make tax deductions for their contributions to the church.<sup>[90]</sup> One single Scientologist-owned law firm generated nearly

1,200 lawsuits on behalf of Scientologist clients.<sup>[91]</sup> Characterized by Rathbun as "simple little cookie-cutter suits", many of the lawsuits became fully-fledged legal cases which resulted in court hearings.<sup>[82]</sup>

The strategy was effectively a kind of litigious denial of service attack, aimed at tying up and exhausting the IRS's legal department. A tax lawyer interviewed by the *St. Petersburg Times* commented: "It's consumed a fair amount of resources in the exempt organizations [division] over there to deal with them year after year after year."<sup>[90]</sup> The church had around 100 *simultaneous* lawsuits ongoing against the IRS by mid-1992.<sup>[92]</sup> On at least one occasion, the barrage of lawsuits resulted in the IRS's litigation budget running out before the end of the year.<sup>[82]</sup> Miscavige boasted of the effect that this had on the agency:

And we were also beginning to impinge on government resources. In fact, the attorneys working for the government defending these law suits were to become so inundated that their entire budget would be wiped out handling our cases – so much so that they didn't even have money to attend the annual American Bar Association conference of lawyers – which they were supposed to speak at!<sup>[24]</sup>

Many Freedom of Information Act requests were also litigated when initially refused by the IRS. According to a Washington-based attorney, William C. Walsh, who litigated on the church's behalf, "We wanted to get to the bottom of what we felt was discrimination. And we got a lot of documents, evidence that proved it."<sup>[82]</sup>

The church also sued seventeen individual IRS officials for what it claimed was a 33-year conspiracy against Scientology. The suit, filed in 1991, demanded payment of \$120 million in damages. It alleged that the IRS had conducted bogus tax exemption proceedings as a cover for a criminal investigation of Scientology. According to the suit, the IRS's Los Angeles Criminal Investigation Division had used "mail covers, paid informants, summonses to dozens of financial institutions and church members, and infiltration of Scientology's ecclesiastical hierarchy" in pursuit of its investigation.<sup>[93]</sup>

Another line of litigation concerned tape recordings of Scientology officials and lawyers discussing the Mission Corporate Category Sort-out in 1980. The recordings had come to the attention of the IRS, which saw them as evidence of planned fraud, but the church sought to suppress them as protected by attorney–client privilege. The US 9th Circuit Court of Appeals ruled against the church, finding that "the figures involved in MCCS admit on the tapes that they are attempting to confuse and defraud the U.S. Government" and the recordings were therefore not protected under attorney–client privilege rules.<sup>[64]</sup> The Supreme Court upheld the court's ruling and established an important legal precedent, that courts could review privileged discussions *in camera* to determine whether they were caught by the crime-fraud exception to attorney-client privilege.<sup>[94]</sup>

#### Hernandez and Powell cases

The church's litigation over its members' tax deductions focused on the validity of IRS Revenue Ruling 78-189, a 1978 regulation providing that the "fixed donations" demanded by Scientology of its members for auditing and training sessions were not charitable contributions under the Internal Revenue Code. The payments were held to be have been made to purchase services as a commercial transaction and were therefore not deductible on Scientologists' income tax returns. This was challenged by numerous Scientologists in various jurisdictions.<sup>[95]</sup>

While the Tax Court and four appeals courts ruled in favor of the IRS, three other circuits ruled against the agency in separate cases between 1984-88. Several of the cases were consolidated as *Hernandez v. Commissioner*, which eventually reached the Supreme Court in 1989. The Supreme Court held that the payments were indeed nondeductible. When Congress had passed the relevant legislation, it had not envisaged making *quid pro quo* payments deductible. Extending this to payments to Scientology would mean that payments to other church-owned institutions for things such as medical care, schooling and counseling could also be considered deductible, which had not been Congress's intention. The Court also sought to avoid the danger of entangling church and state by requiring the IRS to monitor religious activities to determine which payments were for "religious" or "secular" purposes. It ruled that the IRS's approach did not violate the Establishment or Free Exercise Clauses of the First Amendment.<sup>[95]</sup>

The *Hernandez* case left unanswered another legal question: as other religious groups could claim deductions for payments to their churches to participate in religious services (for example, Mormon tithing or Protestant "pew rents"), could Scientologists do the same? A case backed by the church, *Powell v. United States*, was brought by a Florida Scientologist in 1990. Although a district court ruled against the petitioner, an appellate court ruled in 1991 that the case could proceed. However, it was discontinued in late 1993 after the Church of Scientology agreed to discontinue all of its lawsuits against the IRS as part of a settlement agreement.<sup>[95]</sup>

## Negotiations and the resolution of the dispute

Even as the dispute between the Church of Scientology and the IRS continued, attempts were made to find a negotiated agreement. Talks in 1977 came close to settling the dispute but foundered on the issues of CSC's record-keeping system, reporting obligations and its involvement in the GO's criminal campaign against the IRS.<sup>[11]</sup> The "war" finally came to an end after an unusual meeting between Scientology's leader and the then IRS Commissioner, Fred Goldberg. According to the church, David Miscavige and Mark Rathbun, another senior church official, walked into the IRS building in Washington on a whim and requested a meeting with the commissioner.<sup>[14]</sup> Although some reports claimed that Miscavige and Rathbun held an impromptu meeting with Goldberg that day, according to Rathbun the meeting was held a month later, after the pair had made contact with lower-level IRS officials during their walk-in visit.<sup>[96]</sup>)

Miscavige made an impassioned twenty-minute speech on Scientology's behalf, excusing the church's previous history of criminal activity and vexatious lawsuits against the IRS being as the church "just trying to defend ourselves". He told the commissioner, "We can just turn it off", referring to the lawsuits and personal attacks against IRS officials. Rathbun added, "Like a faucet."<sup>[74]</sup> At the meeting, Rathbun told Goldberg: "Let's resolve everything. This is insane. It's reached insane levels."<sup>[14]</sup> Goldberg responded positively and set up a special five-member working group, answering to his deputy commissioner John Burke, to find a solution to the dispute.<sup>[97]</sup> This was a highly unusual step – only the second time in thirty years that such an approach had been taken, according to the working group's chairman – as it bypassed the usual channels of the IRS's exempt organizations division.<sup>[14]</sup> Rathbun characterized this as being necessary to exclude the "Scientology haters" from the review process.<sup>[70]</sup>

Over the next two years, Miscavige, Rathbun, the working group's members and Scientology tax lawyers met on a regular basis to work through the issues that stood in the way of an agreement.<sup>[97]</sup> Rathbun recalls, "We pretty much commuted to D.C. – a couple times a month for the next year, preparing and bringing boxes and boxes of documentation to answer all of the questions the IRS had."<sup>[98]</sup> A pressing concern for the church was the potential requirement to publicly disclose information about its financial dealings. The IRS agreed that it would keep secret most of the information that the church was providing. This was itself an unusual concession, and a sign, in the view of some IRS officials, that an agreement was preordained. Paul Streckfus, a former IRS official, suggests that "[o]nce the IRS decided to set up this rather extraordinary group, the wheels were in motion for a deal."<sup>[14]</sup> However, it may not have been as simple as that. A year into the process, Rathbun says,



The old Cedars of Lebanon Hospital in Los Angeles, California, formerly the headquarters of the Church of Scientology of California



Miscavige was becoming extremely impatient with the process. He used every carrot and stick method he knew to overwhelm the D/Commissioner to grant exemption. We spent hundreds of thousands of dollars to gather intelligence to flank all of this. We even received information from credible sources from the White House. And by near the end of the 1992 we were hearing that Papa Bush himself – exercising his trademark indecision – was concerned about the effect granting exemption to the Church of Scientology would have on his re-election hopes.<sup>[98]</sup>

Although Goldberg had initiated the negotiations, he left the IRS in February 1992. Two other commissioners served over the subsequent 15 months.<sup>[99]</sup> Rathbun says that the stalled process suddenly began moving again after the Bill Clinton administration took office,<sup>[98]</sup> with a new Clinton-appointed commissioner, Margaret Milner Richardson, heading the IRS from May 1993.<sup>[99]</sup> It is unclear whether or how Richardson was involved with the negotiations, although as Commissioner she would normally have to approve any large settlement.<sup>[100]</sup>

The IRS sought to resolve three key issues: had those involved in the church's criminal campaign against the US Government in the 1970s been purged? Was the church's money being used exclusively for tax exempt purposes? And following the death of L. Ron Hubbard, were any private individuals or entities profiting from church income and assets?<sup>[14]</sup> Church representatives say they provided answers that satisfied the IRS in what was reportedly the largest application ever received by the agency, filling a collection of files 10 to 12 feet (3.0 to 3.7 metres) long.<sup>[101]</sup> However, the working group's tax analysts noted in writing that they were ordered by their chairman not to consider any substantive matters, such as whether the church was engaged in too much commercial activity or whether its leaders were obtaining undue private benefit. The chairman, Howard M. Schoenfeld, later acknowledged that this was an unusual move.<sup>[14]</sup>

Rathbun says that in September 1993 the two sides began exchanging settlement drafts and tax exemption was granted in the first week of October.<sup>[98]</sup> The agreement was announced on October 13, 1993. In contrast to agreements with two other religious organizations – the Jimmy Swaggart Ministries and Jerry Falwell's Old Time Gospel Hour – the IRS refused to make public any of the agreement's terms or how much the Church of Scientology had paid in back taxes.<sup>[14]</sup> It was not until December 30, 1997 that the terms of the agreement became public when they were leaked to *The Wall Street Journal*.<sup>[102]</sup> The source of the leak (which was made to both *The Wall Street Journal* and *The New York Times*) was never disclosed but it possibly came from Capitol Hill, where a congressional committee had recently subpoenaed numerous IRS documents.<sup>[103]</sup>

### Terms of the agreement

The agreement between Scientology and the IRS comprises a 76-page document, known as a "closing agreement", which sets out the commitments and obligations of both sides. The IRS says of such agreements, quoting US Treasury Regulations, that they "may be entered into in any case in which there appears to be an advantage in having the case permanently and conclusively closed, or if good and sufficient reasons are shown by the taxpayer for desiring a closing agreement and it is determined by the Commissioner that the United States will sustain no disadvantage through consummation of such an agreement."<sup>[104]</sup>

Under the agreement, the Church and the IRS agreed the following key terms of settlement:

- The Church paid \$12.5 million to cover its payroll, income and estate-tax bills for an undisclosed period prior to 1993.
- All of the church's lawsuits against the IRS were dropped, and it would no longer assist any people or groups bringing lawsuits against the agency over claims prior to the settlement date of October 1, 1993.
- An undisclosed sum of payroll taxes, penalties, liens and levies assessed against church entities and officials, including Miscavige, was dropped by the IRS.
- The IRS also dropped its audits of thirteen Scientology organizations and agreed not to audit the church for any year prior to 1993, as well as ending litigation against the church.<sup>[102]</sup>
- The church agreed to establish a Church Tax-Compliance Committee, headed by Miscavige, that comprised "the largest United States Church entities, as well as those individuals who are the highest ecclesiastical or corporate authorities within the Church". The CTCC was responsible for overseeing the new arrangements during a seven-year transition period, reporting annually to the IRS on the application of the agreement and guaranteeing the collection of taxes owed during the first three years. The individual members of the CTCC could be fined up to \$75,000 each if they failed to provide reports as agreed. If the IRS found that they were spending church funds on noncharitable purposes, the entities responsible could be fined up to \$50 million. This penalty was lifted with effect from 1999.<sup>[105]</sup>

153 "Scientology-related entities" in the United States were granted tax exemption.<sup>[101]</sup> As well as the Religious Technology Center and the Church of Scientology International, the "mother church", they included organizations such as Narconon and Applied Scholastics that usually claim to be secular and separate from Scientology. They even included two publishing houses, Bridge Publications and Author Services Inc., that published Hubbard's wholly non-religious science fiction books.<sup>[106]</sup>

The IRS also gave the church the right of extending its tax exemption to future branches, effectively giving the church the ability to grant itself further tax exemptions and decide which of its activities did not need to be taxed. The agency agreed to send foreign governments a "Description of the Scientology Religion", written by the church but printed under an IRS letterhead, to inform them that the US government had found Scientology to be "organized and operated exclusively for religious and charitable purposes."<sup>[106]</sup>

In conjunction with the agreement, a limited amount of information about church finances was released. This included details of the salaries of Miscavige and other high-ranking church officials, and the disclosure that the church was making about \$300 million annually from a variety of sources.<sup>[14]</sup>

### Reaction to the agreement

Miscavige greeted the agreement with public jubilation. He awarded Rathbun the title of "Kha-Khan", a distinction devised by Hubbard to recognize a "particularly brave deed", in acknowledgement of Rathbun's role as "the guy who got us tax exemption".<sup>[98]</sup> On October 8, 1993, he announced the agreement to an audience of over 10,000 Scientologists from around the world gathered in the Los Angeles Sports Arena. He told them:

- There will be no billion dollar tax bill which we can't pay.
- There will be no more discrimination.
- There will be no more 2,500 cases against parishioners across the US.
- The pipeline of IRS false reports won't keep flowing across the planet.
- There will be no more nothing - because ...
- THE WAR IS OVER!<sup>[24]</sup>

At this point, as *Rolling Stone's* Janet Reitman puts it, "The band launched into triumphant music and the audience rose to their feet, screaming and cheering as the words "THE WAR IS OVER!" flashed on giant screens behind Miscavige's head."<sup>[107]</sup> Miscavige went on to tell the audience, "The power of our group is greater than you can imagine ... What exactly does this mean? My answer is: everything. The magnitude of this is greater than you can imagine ... The future is ours."<sup>[108]</sup> Behind the scenes, though, the stress of the negotiations had taken a physical and emotional toll on both Miscavige and Rathbun. According to Lawrence Wright, Miscavige attempted to strangle his stage

manager at the Sports Arena when the visual effects went wrong during rehearsals for his speech.<sup>[109]</sup> Miscavige was furious when the media highlighted his \$100,000 salary and contrasted it to the \$50 a week paid to most Scientology staff members.<sup>[82]</sup> A month later, an exhausted Rathbun temporarily defected from Scientology; he left permanently in 2004.<sup>[109]</sup>

IRS officials outside of the small working group that had negotiated the agreement expressed shock, puzzlement and dismay. The official line within the agency was that the dispute had tied up its resources for far too long and needed to be resolved. However, as was noted at the time, the IRS had won in all of the substantial cases brought against it by the church.<sup>[108]</sup> The officials who had been dealing with Scientology's tax affairs were confident that they would ultimately win, not least because the IRS had successfully defended its position in court only a few months before the agreement was signed. Lawrence B. Gibbs, the previous IRS Commissioner, noted the extensive litigation with "the general uniformity of results that the service had with Scientology" and expressed surprise that the ultimate decision was favorable.<sup>[14]</sup> Some speculated that the church's harassment campaign had prompted the agency to cave. A formerly high-ranking IRS official told Janet Reitman, "If you ask me, [Fred] Goldberg couldn't put up with the harassment like the rest of us did."<sup>[108]</sup> Robert Fink, a New York tax lawyer who reviewed the leaked agreement for *The Wall Street Journal*, noted that the IRS "normally settles on tax issues alone. What the IRS wanted was to buy peace from the Scientologists. You never see the IRS wanting to buy peace."<sup>[102]</sup>

The IRS threw a veil of secrecy over the terms of the agreement, citing taxpayer privacy laws and refusing Freedom of Information Act requests for documents relating to it.<sup>[14]</sup> While other religious organizations had been required to disclose the payment of back taxes, Scientology was not. Gibbs implicitly criticized the secrecy, saying that it was "even more surprising that the service made the decision without full disclosure, in light of the prior background."<sup>[14]</sup>

Rathbun insists that the church's tax exemption was earned legitimately and that its tactics were within the law.<sup>[108]</sup> In his account of how the negotiations stalled until the election of Bill Clinton, he suggests that the agreement was personally backed by the new president. He says that around 1995, the Scientologist actress Ann Archer met Clinton during a White House tour:

Ann thanked Clinton for his administration having granted tax exemption to her church. Clinton told Archer a little story as to why he considered it was the right thing to do. Clinton said that in the sixties when he was pursuing his Rhodes scholarship at Oxford, he hung with a fraternity of Yale University graduates. He said that a couple of the members of that fraternity were Scientologists. He said he never forgot how kind and spiritual they both were. He knew then and there – by the beingnesses and conduct of those Scientologists – that Scientology was a spiritual activity and that "Scientologists were good people."<sup>[98]</sup>

The agreement was covered in the press when it was announced, but due to the secrecy that surrounded its terms, it was "a one-day story" at the time.<sup>[110]</sup> It prompted Doug Frantz, a journalist with *The New York Times*, to take a closer look at rumours that a private investigator working for Scientology had gone after IRS officials.<sup>[110]</sup> Frantz unearthed the investigator and found other leads, eventually leading to an interview with Scientology officials that he says "remains the most difficult interview I've ever had."<sup>[111]</sup> His story detailing the church's tactics against the IRS was eventually published on March 9, 1997,<sup>[14]</sup> sparking further controversy about the agreement. When the text of the agreement was leaked a few months later, Miscavige complained that its publication by *The Wall Street Journal* constituted "a felony".<sup>[112]</sup>

### Litigation and legal debate related to the agreement

The agreement led to years of further litigation and legal debate. Unsuccessful attempts were made to force the IRS to release the terms of the agreement, prior to it being leaked to *The Wall Street Journal*. There was also litigation about whether members of other religions could avail themselves of the tax exemptions given to the Church of Scientology. The courts determined that they could not, and that there were serious Establishment Clause concerns about the agreement granting unique privileges to Scientologists. The agreement's terms were judged to be unconstitutional but were not overturned or extended to non-Scientologists. Questions were also raised about whether the IRS had exceeded its powers in granting the exemption after the Supreme Court's decision in the 1989 *Hernandez* case and whether the law allowed *quid pro quo* payments to be tax-deductible.

#### Tax Analysts v. Internal Revenue Service

In November 1993, only a month after the announcement of the agreement, the non-profit tax transparency organization Tax Analysts (TA) made a Freedom of Information Act request to the IRS to obtain the closing agreement. The IRS refused, prompting a lawsuit by TA.<sup>[113]</sup>

The case focused on the IRS's obligations under the Internal Revenue Code (IRC). While the IRS had refused to release information about the agreement on the grounds that returns and return information are deemed confidential, TA argued that the closing agreement should be released under a different section of the IRC that allowed for the public disclosure of information submitted to the IRS by tax-exempt organizations. In court, the IRS rejected this argument and claimed that the closing agreement did *not* serve as the basis for the rulings granting tax exemption to Scientology. The litigation brought out many previously undisclosed details of how the IRS had handled the negotiations with the church,<sup>[113]</sup> but did not succeed in forcing the agency to disclose the terms of the agreement.

#### Sklar v. Commissioner of Internal Revenue

After the agreement was leaked, a New York Orthodox Jewish couple, Michael and Martha Sklar, sought to avail themselves of the exemption granted to Scientologists to deduct eighty percent of the fees paid for "religious training and services". They made similar deductions for the early 1990s without being challenged by the IRS, but were denied deductions for 1994 and after. The Sklars sued the IRS in 1997 to resolve the matter.<sup>[114]</sup>

The centrality of the agreement to the Sklars' case led them to subpoena the document from the IRS and the Church of Scientology. The IRS refused and the subpoenas were quashed by a tax court. The agency argued that the agreement needed to be kept secret as it was "private taxpayer business of another taxpayer", and refused to corroborate any of its reported details.<sup>[114]</sup> As neither the IRS nor the church would admit to the veracity of the leaked text of the agreement, the court was unable to enter it as evidence. The Court of Appeals for the 9th Circuit ruled against the Sklars, but said that "it appears to be true" that Scientology was receiving uniquely favorable tax benefits, in contravention of the First Amendment. Judge Barry D. Silverman asked in his opinion, "Why is Scientology training different from all other religious training?", and took the unusual step of recommending further litigation to clarify the issue. He wrote: "If the I.R.S. does in fact give preferential treatment to members of the Church of Scientology – allowing them a special right to claim deductions that are contrary to law and disallowed to everybody else – then the proper course of action is a lawsuit to put a stop to that policy." He rejected the proposition that the exemption should be extended to other faiths, commenting: "The remedy is not to require the I.R.S. to let others claim the improper deduction."<sup>[115]</sup>

Sklar brought a fresh lawsuit in 2001 to resolve the First Amendment question. The IRS defended its position, saying that case law was clear that religious school tuition was not tax-deductible, and allowing it generally would lead to millions of people claiming tax refunds.<sup>[116]</sup> Sklar lost again at trial but received an initially more favorable response from the 9th Circuit Court of Appeal. Judge Kim Wardlaw said that the bottom line of the IRS's position was that the agency believed that "it can unconstitutionally violate the Constitution by establishing religion, by treating one religion more favorably than other religions in terms of what is allowed as deductions, and there can never be any judicial review of that."<sup>[114]</sup> Ultimately, however, the court upheld the IRS's position that the situation of the Sklars was dissimilar to that of the Scientologists. Religious tuition was held to be different from Scientology auditing. Judge Wardlaw wrote in the court's decision, "We... conclude that tuition and fee payments to schools that provide secular and

religious education as part of one curriculum are quite different from payments to organizations that provide exclusively religious services." The court took the same view on the Scientology–IRS agreement's constitutionality as its predecessor in the 1997 case, concluding that extending an unconstitutional tax concession to others would be an unacceptable further violation of the Establishment Clause.<sup>[117]</sup>

Legal observers noted that the outcome of the two *Sklar* cases, combined with recent changes in the doctrine of standing, meant that the Scientology–IRS agreement was now effectively unchallengeable in court. The right of ordinary taxpayers to challenge the IRS in such cases was removed by a Supreme Court decision in 2007. Josh Gerstein, who covered the case for the *New York Sun*, comments: "It now looks like the alleged unconstitutionality of the Scientologists' tax deal may be one of those government actions which cannot be remedied in the courts."<sup>[118]</sup>

### Questions over IRS powers

The agreement was criticized by four former Commissioners of the IRS, Jerome Kurtz, Don Alexander, Laurence Gibbs and Sheldon Cohen. Kurtz and his colleagues wrote in May 1994 to the then Commissioner, Margaret Milner Richardson, to "express serious concern about the failure of the Internal Revenue Service to comment on or explain the meaning of several aspects of its settlement with the Church of Scientology". They questioned the IRS's decision to allow tax deductions for *quid pro quo* payments, despite the outcome of the *Hernandez* case, and argued that it cannot ignore the Supreme Court's *Hernandez* ruling without further explanation. As Cohen put it, "the facts involving the Scientology auditing payments must have changed before the IRS could justifiably ignore Hernandez".<sup>[95]</sup>

Alison H. Eaton suggests that the IRS's decision to effectively overrule the Supreme Court was motivated by the fear of defeat in the *Powell* case. If it had lost, it would have faced a choice between denying Scientologists tax deductions given to other religious groups, or allowing the deductions that the Supreme Court had disallowed in *Hernandez*. The latter may have been seen as the lesser of two evils. However, it has given rise to a serious constitutional problem: granting the deductions now means that Scientologists are the only religious group permitted to deduct taxes for *quid pro quo* payments to their church, which can be seen as unconstitutional favoritism.<sup>[95]</sup>

Eaton argues that the IRS's decision to permit deductions for Scientologists exceeded its statutory authority. The Supreme Court found that the law did not permit *quid pro quo* payments of the kind made by Scientologists. The IRS's 1993 regulation allowing the deductions was therefore "manifestly contrary to the statute". If the regulation were to be challenged, Eaton suggests, a reviewing court would likely come to the same conclusion as the Supreme Court and disallow the deductions. However, there appears to be little likelihood of the issue coming before a court as taxpayers do not have standing to challenge the regulation.<sup>[95]</sup>

## Calls to revoke tax exemption

Since the Church of Scientology gained tax exemption in 1993, there have been a number of high-profile calls for the IRS to review and potentially revoke the exemption. The calls have generally focused on the question of whether the church is operating for legitimate tax-exempt purposes.

In 2011, the *St. Petersburg Times* published a series of articles highlighting what it called "Scientology's money machine" and the tactics used by the church to raise money. It argued that the church "never should have been granted tax-exempt status, and the IRS should revisit that decision. Short of that, there is more than enough public information available to justify an IRS audit to determine if a reasonable amount of proceeds are spent for tax-exempt purposes."<sup>[119]</sup>

Alex Gibney, the Oscar-winning director of the film *Going Clear: Scientology and the Prison of Belief*, accused Scientology in 2015 of abusing its tax exemption status by harassing its critics. He highlighted alleged illegal activities carried out by the church and its use of its assets for the private benefit of David Miscavige and Tom Cruise. Writing in the *Los Angeles Times*, he commented that "it is hard to see why Americans should subsidize Scientology through its tax-exemption."<sup>[120]</sup>

The actress Leah Remini, who spent many years in Scientology before leaving in 2013, said in a January 2017 interview that she would campaign for the church's tax exemption to be revoked.<sup>[121]</sup>

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- Our Lady of Perpetual Exemption

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- Scientology versus the IRS (<https://www.cs.cmu.edu/~dst/Cowen/essays/irs.html>)

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# David Miscavige's IAS speech, 8 October 1993

On 8 October 1993, the man who effectively controls Scientology - David Miscavige, Chairman of the Board of the Religious Technology Center - gave a speech to the 9th anniversary event of the International Association of Scientologists. 10,000 members of the International Association of Scientologists had gathered in the Los Angeles Sports Arena to hear Miscavige announce a spectacular victory: after 30 years of conflict with the Internal Revenue Service (IRS), the Church of Scientology (CoS) had won complete tax exemption for all of its 150 US entities. The following is a transcript of Miscavige's speech. A partial version was printed in issue 32 of *International Scientology News*. It makes extraordinary reading.

Most of the evening was taken up by Miscavige's two-hour speech. I have gone through it and added comments on certain points.

If Miscavige is telling the truth, then the IRS's treatment of Scientology is indeed a scandal. But the sheer vehemence and range of Miscavige's tirade against the IRS, Interpol, the US Government, the media, the "squirrels", the hidden Suppressive Persons and the omnipresent "psychs" suggests that Miscavige is a body thetan short of a cluster, so to speak. His credibility and that of a Church which has repeatedly been shown to lie and exaggerate (for instance, in regard to the German government's actions against Scientology) cannot be considered high.

COB RTC: [Chairman of the Board of the Religious Technology Center - David Miscavige]

Welcome to this evening's event.

As you just heard, this is the largest event in Scientology's history and with good reason! Aside from all of us who are here to celebrate at the Los Angeles Sports Arena, this event is being televised around the world to every one of our orgs in all the continents of earth.

Please welcome them.

Furthermore, our newest Class V organization just opened in Caracas, Venezuela.

Please give them a welcome.

Tonight you are here to get word of what has been promoted as our biggest breakthrough on the fourth dynamic ever! Let me begin by assuring you that is not an overstatement! I feel safe in stating that if you were to take all of our previous external wins - those over the last four decades - and combine them all into one, they wouldn't even approach the magnitude of what I will announce tonight.

Nine years and one day ago, the International Association of Scientologists was formed to protect and defend Scientologists and the Scientology religion. At that time, in October of 1984, we found ourselves under vicious external attack. From the media. In civil courts. And by the government. The attacks were of such intensity and velocity - so sustained in nature - that we knew our very survival could only be assured if all of us - as Scientologists - banded together to create a worldwide association. Only in this way could we gather the wherewithal to survive such attacks and hopefully expand.

*The IAS is essentially a fund-raising body for the Church of Scientology; it gives awards to those who donate large sums. As its rolls contain only active Scientologists, its membership roster (about 100,000) is probably the most accurate record of the size of the Church of Scientology's membership.*

You have all heard this. It has been said over the years. And it is very accurate. That is why the IAS was formed. What you weren't told was just how bad the situation was. Why? It wasn't necessary you saw enough of the war to know that the IAS was vital. And to brief you on some of the inner details of what was happening would have done nothing but hurt our cause while enturbulating you no end. There is nothing you could have done but support the IAS. And that you did. In a big way the biggest win an enemy of ours could ever have would be to stop our real mission - the salvage of man and rehabilitation of his true spiritual nature. We fight the reactive mind and our business is making freed beings. We do that with training and processing. The few of us who did know all the details knew that we somehow, anyhow, had to keep that show on the road. And we did so. But continue to fight the war, we also did. Much of that war you saw or heard. It is traditional at the annual IAS event to discuss such matters. It is the one event each year where we gather and discuss our wins on the external front. We usually cover many different activities. Tonight will be different. Because what we are going to talk about is the war to end all wars. Whether you have been in Scientology a month, a year, a decade or more - you have seen some part of our battles.

You have seen the suppression we must endure. When you are in Scientology you are in all the way. There's no half in and half out. The bullets aren't particular as to who they hit. Therefore you deserve to know the full magnitude of the suppression we have faced. You've heard about this in a general nature. A lot of the specifics we have spared you. Tonight you will hear them. To understand them fully one must go back to the beginning. The first attacks against LRH and Dianetics are well known. They began almost the day Dianetics came off the presses. To understand what the turmoil was about - realize that up until May 9th 1950, the only studies of the mind were psychology and psychiatry, yet those alleged sciences had done nothing to earn their respect. It wasn't as if they had made breakthroughs or had some major successes. No - it was that they had worked with the government throughout the war to figure out ways of making men more suggestible or amenable to fighting wars. And Freud, the father of psychology and the original out-2D case, apparently found many kindred souls in these government circles.

*"out-2D case" - sexual pervert*

Don't forget that LRH had offered Dianetics to the fields of psychiatry and medicine before the book was ever written. He offered them his technology but LRH wasn't one of the "old boys." And he didn't offer them something to control people - so these authorities weren't interested. They ignored him but when Dianetics was released they could ignore it no longer. The entire country was talking about it. The slap in the face to the psychiatric community may be tough to understand today. But no book on the mind had ever been so popular with the people. Not even close. The back cover of the original Dianetics dust jacket illustrates the point.

Dianetics was published by a text book publishing house.

*Hermitage House Publishing, owned by one Art Ceppos. He later fell out with Hubbard, thus earning the enmity of Scientologists for all time.*

Wanting to advertise books of a "similar nature", they included ads for their psychiatric texts right on the Dianetics dust jacket. You can see that in a shot here. Original Dianetics dust jacket back cover all of them are written by true psychiatrists. Authorities.

Here we are, 43 years later. I ask you - have you ever heard of "The Threshold of the Abnormal", by Dr. Werner Wolf? Or, "Bristow Rogers - American Negro" (a racist psychoanalytical case history), by Edmund P. Hillpern? I doubt it.



But the whole world knows of Dianetics. It was the concern that this very popularity might occur that drove the psychs mad in 1950.

At stake were all of their vested interest dollars. How could they get research grants? Millions, or even billions - if the problems of the mind were already solved? And how could they hide the fact of LRH's discoveries if the whole country was talking about them? Their initial attacks have been mentioned over the years by us. First they got "technical reviews" by psychiatrists hatcheting Dianetics. They published these critical reviews in their psychiatric trade magazines.

*Such as The New York Times, Time magazine, Life...*

Of course, these psychs never even bothered to read the book.

*The first review of Dianetics, in The New York Times, was indeed by a psychiatrist. However, he pointed out numerous logical and medical absurdities in the book, backed up by quotes. Rather difficult to do if he hadn't read it first.*

This document, we have since uncovered, illustrates the point:

(Document)

It is from Dr. Wiprund - the Executive Director of the Medical Society of Washington DC - to the AMA. In this letter, Wiprund states that he hasn't read the book himself but that unnamed psych sources said and I quote:

"Among the very best psychiatrists - Dianetics is nothing but the bunk!" Unquote.

Talk about a suppressive generality

In any event - the AMA ran these words of wisdom in critical reviews in their own publications. Then they took these published reviews and handed them out to the press where they were promptly requoted as authority in magazines like "Slime" and "Tripe".

*i.e. "Time" and "Life".*

Having covered their tracks, the psychs then forwarded these new reviews to government agencies such as the Food and Drug Administration and the FBI asking them to investigate Hubbard and his Dianetics Foundations. Only this year did we finally obtain the documents which prove the government did that, and more. They not only began investigations at the urging of the psych community, but we now know the Feds had an informant and infiltrator in the first Dianetic Foundation from the day it was formed. I say infiltrator because he wasn't just there to get information, but in fact had specific orders to disrupt the organization and destroy it.

*Note that the "infiltrator" is not named, nor is any mention made of how he was dealt with. This sort of vagueness is a standard tactic in Scientology's public statements. In fact, L. Ron Hubbard was convinced that he was surrounded by Communist saboteurs, including his wife (!); he spent much of the 1950s writing to J. Edgar Hoover to denounce them.*

But as we all know these initial assaults could not stop the spread of Dianetics. It was simply too popular and too workable. LRH went on with his business of further researching Dianetics and Scientology.

All the while these attacks continued. But finally a response was in order if these psychs were to be prevented from creating a slave society in January of 1956, a plan the psychs had hatched many years before was about to come to fruition. They had formulated a plan to infiltrate all levels of society so that they - and they alone - were the decision makers as to what was right and wrong. In this way they could do away with the influence of religion and even the family in matters of morals and mores of the civilization. I'm not joking here. This is all a matter of public record. Their plan for the US was simple. They would purchase a million acres of land in Alaska which they would use as a huge mental health colony then they would change the commitment laws so that they could arbitrarily commit any citizen to this facility one didn't need to violate a law or do anything wrong. All it would take was a psych deciding you weren't desirable and off you would go with no recourse.

This is very convenient for a government wanting to control its populace. And the obvious force to implement this plan was psychiatry. In fact, such a plan already had precedent. It was doing wonders to keep the populace quiet! Where? In Stalinist Russia of course. They called it: Siberia! Unbelievably the House of Representatives had already passed the bill to create this facility in Alaska and by all indications it would fly through the senate. The press and public were asleep and the politicians were drooling. And then out of nowhere a force they never contemplated came on the scene.

That force was LRH and Scientology naming it for what it was, LRH dubbed the plan: "Siberia USA". He began a campaign to alert the public and the press to the true meaning of this grand plan. The press finally woke up and the words "Siberia USA" were seen everywhere as a slogan to defeat this danger to personal rights and freedom. You can see some of that press here.

(visual)

Public outcry reached a fever pitch and finally hit its crescendo when the bill failed to pass and was killed in Congress. Today hardly anyone in the country remembers this plan. In fact, say it to the press and they think you are joking.

I know. I did.

The country has LRH and Scientology to thank for destroying this master plan that came within hours of becoming law.

*The "Siberia Bill" is a staple part of Scientology mythology. It really did exist, though it only provided for funding to build Alaska's first mental hospital (previously, mentally ill Alaskans had been shipped out to Oregon - hardly an ideal situation). The "master plan" was a figment of L. Ron Hubbard's over-active imagination. There were in any case only a few thousand Scientologists in 1956. Contemporary newspaper reports in the major US dailies do not mention Hubbard, Scientology, "Siberia USA" or a major outcry over the bill. A curious omission, if it really was such a big deal.*

They spelled this movement: L. Ron Hubbard and Scientology. But they had one big problem. They earlier tried to stop Dianetics before it even got going. They failed. They then tried to stop it when Book One co-audits were raging across the US and the Dianetics Foundations were formed. Again they failed. And now - their little problem had become so troublesome that it had dealt them their biggest and most embarrassing defeat for all practical purposes, the war with psychiatry should have been over. Those pea-brained psych-indoctrinated mental midgets had proven no match for LRH and Dianetics and Scientology. What were they to do? In the old days the Romans threw the Christians to the lions. So the psychs tuned to the modern day, 20th century inquisitors. The creatures of the night. That's right, the vampires. And not little vampires, but the ones who suck the blood from the whole country and so the villain of this plot came on the scene - the Internal Revenue Service.

*Here Miscavige reveals the theme which runs all the way through his speech: that Scientology's troubles with the IRS are really the result of a sinister plot by the psychiatric profession.*

How did the psychs manage to recruit the IRS?

More easily than you can imagine. You've already seen how the government was working hand in glove with the psych movement. But the connection was even more tangible. The DC Medical Society was the sponsor of the Siberia USA plans. Their attorney was a woman named Charlotte Murphy and when their grand plan of Siberia USA fell through she needed a new job. She joined the Internal Revenue Service and was posted in the office of their chief counsel which is the in-house attorney firm for the IRS. And just that simply the IRS became the active force to destroy Scientology because Charlotte Murphy's assigned functions - at her request - were to deal exclusively with any matters Scientology in nature. A task she wasted no time getting active with. She made her intentions clear in this document she wrote to the district director of the Washington branch of the IRS:

(doc)

In this document regarding the Founding Church in Washington DC, she asks:

"whether there are any local statutes and ordinances available as tools to curtail or close down the operation."

She went on a rampage to do anything in her power to destroy Scientology in the US and abroad. For her efforts she was awarded handsomely and even was promoted years later and became a judge in the US tax court. Here you can see a picture of her:

(slide)

Thirty years after her initial involvement with Scientology, she wrote an affidavit where she stated: "We in the IRS did anything we could to deny exertion to Scientology churches and to close down the operations of all Scientology entities." And why was denial of tax exemption so important? Because, a tax exempt church may use all of its financial resources for accomplishing its mission. A very scary proposition for Murphy and the psychs, when it came to Scientology. A tax exempt organization is not subject to the myriad complexities of the Internal Revenue Code which can be used to harass and destroy organizations the IRS does not like. But most importantly - because all bona-fide religions and churches in the United States do have tax exemption, and if the IRS refused to grant such to Scientology that fact alone could be used to black PR the Church internationally. Scientology wouldn't be a church or a religion - but a "cult" and worse. In fact, administrative action by the IRS has always been a well utilized tool for destroying political enemies on whom no unlawful or criminal activity could be found. This fact was clearly revealed in one famous government memo you can see here. It stated:

"What we cannot do in a courtroom by way of criminal prosecutions to curtail the activities of some of these Scientology groups, the IRS could do by administrative action."

Denial of tax exemption makes an organization fair game for the IRS. So, Murphy's first act was to arrange for the arbitrary denial of tax exemption to every existing Church of Scientology in the United States. She then spent the next ten years spearheading IRS attacks on our churches, in order to ensure that the Church did not regain tax exemption. The primary tactic utilized was the creation and broad dissemination of false and derogatory reports on LRH and Scientology. These reports were designed to ensure that government agencies receiving these reports in the US and abroad would immediately take adverse action and instigate inquiries and other serious actions. In fact, Congress later said:

Quote:

"...these reports were used to stigmatize, to set a group of individuals and organizations apart as somehow inherently suspect and likely to be in violation of the tax statutes or other laws."

Unquote.

Indeed, years later we learned that IRS-created false reports were at the bottom of such infamous attacks as the Australian inquiry, the UK and South African inquiries, and attacks on the Flagship Apollo.

*This is an astonishing claim. The three inquiries referred to here were in Victoria, Australia, 1963-65; the United Kingdom in 1969-70; and South Africa in 1972-74. (The reports of the first two are on the Web at <http://www.demon.co.uk/castle/audit/ofpapers.html>). The attacks on the Apollo refer to L. Ron Hubbard's problems with governments around the Mediterranean telling him that he was not welcome - hardly surprising in the case of Morocco, where Hubbard inadvertently involved himself in a coup attempt against King Hassan. In Portugal the Apollo was driven away by left-wing demonstrators who thought it was a CIA spy ship; in Greece it was expelled by the military junta of the Colonels. But there is no evidence from released CIA papers of the time that the IRS was in any way involved. At the time, the Church of Scientology blamed the British Government and Interpol.*

You've heard about false reports being spread through the world. And often we have talked of Interpol being the conduit for these reports abroad. That is all true. But it was always the IRS creating the documents and sending them out in the first place. Don't forget - the IRS hadn't found the Church doing anything wrong. They just wanted to get us. So they had to resort to pure lies. Picking up a technique from their mentor, Adolf Hitler, in his book, "Mein Kampf", they subscribed to the theory that "the bigger the lie - the more easily it would be believed."

*The Church of Scientology has resorted to the same technique on many occasions. This speech may be an example of this technique in use.*

Let me give you a few choice examples of this philosophy in practice. One memorable one was a report Murphy created that urgently requested another government agency to not allow foreign Scientologists into the US on any basis. The report stated:

Quote:

"There is evidence that LSD and perhaps other drugs are widely used by the members which assembled. There is evidence that an initiation ceremony is held for all new members at which time an electric shock is administered to them. There is evidence that members of several families in different parts of the US have been shot but not killed by unknown persons because they have objected to their teenage children becoming members."

Unquote.

These reports would be laughable if not for the intent behind them and the effect they created. How many Scientologists were denied entry into foreign countries - like England in the 1960's.

*This happened following a statement in the House of Commons from the Health Minister; that Scientology was harmful to mental health. No mention was made of drug-taking or murders; if there had been any suggestion of this, it would surely have come out in the intensely anti-Scientology climate at the time.*

If you were one of them you now know why the report I just quoted from was written in November of 1967. The Church didn't become aware of it for years and it took until 1975 for the government to publicly admit their guilt, when they admitted the information had simply been invented by a government clerk. Thanks for coming clean - but that's 8 years later and by then the report had found its way into government files all over the world. Probably the best example of the vicious nature of these false reports is a document written by David Forsyth who was posted in the IRS intelligence branch. The report was written in 1974 and was an attempt to smear the Church internationally and wipe it out. At the time the report was written, the Church had coincidentally purchased a ranch in Mexico as a boarding school for the children of Sea Org members in Southern California. In other words, the ranch was occupied by 6 years olds! But, in Forsyth's report, he stated:

Quote:

A group of Scientologists is currently training in guerrilla warfare near the town of Uxmal on the Yucatan peninsula."

Unquote.

Slight alter-is! Those kids must have really been something. How about this one. You all probably know LRH went to Rhodesia in southern Africa in the mid 1960s. He was looking to set up the first OT base in that country. While there, he also purchased and began operating a hotel, at which he employed many people including his black friends. LRH was so outraged with the treatment of the blacks in southern Africa that he ultimately presented a new constitution, directly to the Prime Minister, which would have given full rights to the blacks in that country, LRH was ahead of his time. Apartheid was not only in full force, but the rest of the world, including the US Government, were either ignoring it or supporting it. For his efforts the white supremacists had LRH exiled from their country. As if that weren't bad enough,

*Hubbard's proposed constitution for Rhodesia in fact **disfranchised** the black population by proposing economic voting qualifications which, in effect, only whites could meet. As I have shown in my essay, "Scientology's fight for Apartheid", Hubbard was firmly convinced of the superiority of the "Anglo-Saxons" and the inferiority of other, "primitive" races. He expressed support for the apartheid regime in South Africa, blamed "native unrest" on Moscow-inspired agitation and urged the mass E-meter testing of the black population to root out ANC supporters. (The essay is at <http://www.demon.co.uk/castle/audit/apartheid.html>)*

IRS agent Forsyth further rubbed salt in the wound when he described these activities as follows:

Quote:

"Scientology had plans to arm 5,000 natives in an effort to take over that country"

Unquote.

*In fact, this claim was made at the 1972-73 South African Government Inquiry into Scientology by one Jan du Plessis, an ex-member of the Johannesburg org. I am not aware of any documentary evidence having been produced to support it and it seems distinctly improbable in view of Hubbard's support for the apartheid regime.*

Forsyth's memorandum contained 16 pages of similar reports. As you can see - they weren't just false - they were vicious. After years and years of trying to get LRH and Scientology - the IRS really started going psychotic. Possibly the most astounding document of that period was one written during the mid- 1960's. I'll read it to you now so you can see just how nuts these IRS officials were. The name Alfred Hubbard had come across the IRS' desk. At that point the IRS' reactive "mind equals a mechanism" kicked in.

Quote:

"It is shrewd to note that since the name L. Ron Hubbard is so similar to prominent LSD advocate Alfred Hubbard, then LRH and this Alfred Hubbard must be one and the same persons. And because Timothy Leary has recently established a religion advocating LSD, then Leary may be the head of the Church of Scientology and our L. Ron Hubbard may be getting income through Leary"

Unquote.

What do you say about such garbage? The only accurate thing about the report is that its author must have been on LSD when he wrote it. these examples are just the tip of the iceberg. Hundreds of such reports were sent to other governmental agencies throughout the world as well as to private groups. This was done in order to foster and fuel an atmosphere of prejudice designed to trigger all-out assaults against the religion. And the biggest ones were yet to come. The war escalated to a whole new level when Watergate villain Richard Nixon entered the White House. I commented earlier that LRH was ahead of his time. And with Richard Nixon, he was way ahead of his time. In 1960 LRH wrote to all Scientologists with a very farsighted announcement in HCO Bulletin of April 24 1960. In this HCOB, LRH related the story of how Nixon, while Vice-President, sent several of his secret service agents into the DC org to rough up the girls on duty, all because LRH had once quoted Nixon.

*There is no eyewitness evidence to support this, nor any record of it in contemporary newspapers, nor any evidence of an official complaint having been made. Hubbard's word is apparently all we have to go on, and he was demonstrably a liar on many other subjects (e.g. his war career, his academic credentials, etc).*

At the time this bulletin was written, Nixon was running for the office of president. You can see the issue on the screen, entitled: Concerning the Campaign for Presidency.

(visual)

LRH concluded by stating: "It is my hope you'll vote and make your friends vote. But please don't vote for Nixon. Even his own secret service agents assure us he stands for nothing we do." - LRH

*This quote is accurate. However, Hubbard regarded **all** Administrations as being involved in a sinister conspiracy against Scientology; he merely happened to be right on this occasion.*

Nixon lost the presidency that year - but the relief was only temporary, because 8 years later, Tricky Dick finally did make it into the White House. And by then he had developed his own special hit list of all those people or groups who had ever crossed him. Just as LRH predicted, Nixon couldn't wait to abuse the power of his office to make his critics pay. Frustrated with the inability of the US Government to put a halt to Scientology, Nixon instituted secret intelligence programs designed to accomplish that purpose. A secret IRS unit known as "the special services staff" was set up to target individuals and groups it labeled as so-called activists. The groups and individuals to be targeted by this special unit were on a list that the press later termed 'the Nixon/IRS enemies list'. And right at the top of that list were L. Ron Hubbard and Scientology.

*L. Ron Hubbard was not; however, the Founding Church of Scientology in Washington, D.C. (under IRS and FDA investigation) was indeed on the list.*



The purpose of Nixon's IRS intelligence unit was to use any techniques available - legal or illegal - to infiltrate groups in an effort to gather dirt to later smear and destroy them. And if no such dirt could be found - then create it and disseminate it widely. They were quite successful. In fact, you can get a copy of the Nixon/IRS enemies list and review the names of individuals and groups who were targeted. You'll notice an interesting fact. Every single one of these targeted people and groups was in fact destroyed.

*This is not true. At least two other groups - the Black Panthers and the NAACP - were targetted and palpably survive today.*

The only exceptions?

LRH and Scientology.

With Nixon finally resigning the presidency in disgrace, the IRS's problems with Scientology were just beginning to build. They had been attacking the Church with the purpose of destroying it for over a decade. Yet Scientology had only grown. And the IRS was starting to lose on the legal front. They had won the case against the Founding Church's tax exemption on a technicality but their win was short-lived, as that Church had long since ceased to be the mother church and the hoped-for destruction of Scientology didn't occur. So a new strategy was in order. In 1974, the IRS convened a meeting with all their top people. It was: "the Final Solution conference on Scientology."

*Note the comparison to the infamous April 1943 Wannsee conference in Nazi Germany. This is quite revealing; presumably the Scientology leadership feels that Scientologists are now in danger of physical extermination in Germany.*

We now have the minutes of that meeting which make it clear just how evil their motives were. IRS agents and lawyers sat around conspiring about how to deal with the Scientology problem. According to their own lawyers, it was impossible to distinguish Scientology from any other bona-fide religion. Scientology met all the criteria for a church and therefore qualified for IRS recognition. But, the IRS was not to give up so easily in one of their most shameless moments, they formulated this strategy

Redefine church so as to exclude Scientology.

You heard me right. Since we met the "definition of church", that wouldn't do for the IRS. So, they changed the definition - so we were no longer a church! If you ever doubted that the IRS' motives were anything but impure - this should settle the question for you. When they couldn't find anything wrong, they would just change the rules so we couldn't win. What was the effect of this? They issued special IRS revenue rulings that only applied to Scientology. They decided if they couldn't destroy the Church with a head-on attack, they would flank it by going after its parishioners. They would henceforth disallow all tax deductions for contributions to Churches of Scientology. In short - they would make it miserable to be in Scientology or support it in any way. In this manner they hoped to bankrupt the Church and - just for good measure - they initiated a new series of tax audits on the new mother church.

*The next few paragraphs are extremely significant. Miscavige is here justifying his role in the palace coup in the early 1980s that saw himself and the Commodore's Messenger Org seizing control of the Church from the tarnished Guardian's Office, run by Hubbard's wife Mary Sue, at the same time that Hubbard himself was in hiding in Creston, California. Why does he bring this up? One possibility is that he was facing internal dissensions, which he quashed by promoting his key role in "saving" Scientology from the US Government. Another is that it is pure self-aggrandisement.*

This final solution for Scientology had greater success than you may imagine. It began a steamroll through the rest of the 1970s and into the beginning of the 1980's. The IRS got some unexpected help in the form of an infiltrated Guardian's Office. That was the old legal unit of the Church that went corrupt. We weren't to discover why for many years to come. But it is safe to say their attention wasn't fully on the task at hand of defending the Church, as they had too many personal problems to do so. The IRS took the then mother church - Church of Scientology of California - to trial on its tax exemption. And at the same time they began challenging the deductibility of Scientology parishioner donations in the court system and they found themselves in front of a poisoned judge who hated Scientology to the very core of his bones. He hid this fact from us - including how this prejudice affected his decisions. Only 4 months ago did we finally uncover the true story. Needless to say, neither of those cases were looking good and it was clear that the office responsible for protecting and defending Scientology was going to lose. What was more clear is that they had even given the IRS the ammunition they had wanted for so long, but were incapable of obtaining. Combine all of this with the fact that LRH had gone completely off management lines in the beginning of the 1980s so that he could dedicate himself to completing the rest of his researches - and you have a volatile situation.

There were many unscrupulous individuals who had waited for their chance to gain power for their own personal ends. Names you've heard of. And they thought they found their golden opportunity. It wasn't just that LRH wasn't there to spot them - it was that the unit responsible for keeping the ranks clean in Scientology had itself gone bad. Things were looking grim. Stats were going down. And the IRS was about to win its greatest victory. It looked like the Church was going to crumble - that it was finished. But that didn't happen. Because some people saw what was going on and moved in and overthrew the Guardian's Office, the off policy and corrupt individuals were dismissed. And the G.O. network was disbanded and its functions placed under the authority of Int Management and the Sea Org. All we were trying to do was see that the entire structure of Scientology was on source. That tech was in. And policy was applied. We faced at the beginning of the 1980s a challenge that we inevitably had to confront. What would we do when LRH wasn't there to how our hand? To personally keep the show on the road. How would we as Scientologists ensure that the tech was kept pure? It was time for us to grow up. We started making major strides in that direction but I can tell you in hindsight we had no idea what Pandora's box we opened when we took out the Guardian's Office.

*Miscavige carefully does not say **who** the "off policy and corrupt individuals were" - not surprisingly, as one was Hubbard's own wife and at least one other (Richard Weigand) was, at the time of Miscavige's speech, working on behalf of the CoS to spread Scientology amongst the Colombian military and government workers. Miscavige also does not say that the Guardian's Office members who were imprisoned in 1980-81 were in fact convicted for bugging and burgling the offices of, er, the IRS! But that would, obviously, undermine Miscavige's thesis of Scientologists as unoffending victims.*

In fact - we crossed the government in ways we couldn't even imagine and which the government would not forgive. The attacks on Scientology up to the 1980s were pure child's play compared to what was to come. Whereas the IRS had always treed to shroud their actions with at least an appearance of legitimacy - the gloves were to come off in the 80s. In fact the war had taken on a life of its own. It is highly unlikely the officials in the IRS were even aware of how this war began. But like genes being passed on from generation to generation, it was an inbred trait of the IRS to hate Scientology and desire its destruction. With the G.O. out of the way - the entire corporate and command structure of Scientology was modified. Organizations were set up to ensure a new G.O. could never come about and to see that the tech would be kept pure.

*Again, this contains significant nuances. Since the disbandment of the G.O., Scientology has continued to be linked to unlawful activities - for instance, pressuring people into suicide (France), apparently stealing secret government papers (Greece) and fraud (Spain). Miscavige notably fails to make any mention of the G.O.'s illegal activities in the US and Canada, concentrating instead on its failure to uphold Scientology "scripture". (This, too, is untrue - it was acting on Hubbard's orders). The implication of this is that Scientology regards the illegal activities of the G.O. as less important than its alleged "religious failings". Miscavige is therefore **not** saying that Scientology will never again let illegal activities be committed (this has plainly not happened) but that it will never again allow "off tech".*

LRH was planning for the future to ensure Scientology would be here for eternity. And we were right there seeing that it happened. Following the reorganization of the Church, we set up meetings with the IRS.

This was in 1984.

Our desire was to show them how the Church operated - ensure it was in order and passed their test - and move forward into the future at peace. Believe it or not - the IRS has exact guidelines they have created that one must meet to be a real religion. As LRH said:

"One certainly couldn't contest anyone as holy as the commissioner of IRS - whom I believe gives God his orders." - LRH

The IRS response to our reorganization was violent. IRS officials told me to my face that they weren't interested in hearing anything I had to say, because - and I quote:

"You are a Scientologist. You are a mindless robot."

Unquote.

Those who know me can imagine my response. It was short - but certainly made the point. The thanks we got for cleaning up the Church and getting rid of the individuals in the G.O. that the IRS apparently found so offensive, was an assault bigger than any in history the IRS initiated what was to become the largest criminal investigation in the history of the IRS. Personally, life had become dangerous. What was it that so upset the IRS? Only years later did we find out. When we kicked out the old G.O., we had unknowingly kicked out several of the IRS's undercover operatives.

The IRS was more than happy about the way things were going in the Church in the early 80s. It looked like total destruction was imminent. Within months. And out of the blue - a bunch of young Turks showed up and foiled their plans. From the IRS way of looking at it - we were going to pay in a big way organizationally. And personally. Who were we to dare survive? To make us pay. The IRS knew they needed a group willing to sink to a whole new level of illegal activity. A group that did not let niceties, like ethics, the law and the truth get in their way and so - the IRS brought in their most vicious hit squad. The infamous Los Angeles criminal investigation division of the IRS, known as the LA CID could give you my own description of these goons, but let's be objective. Here is what Congress later said about LA CID when investigating their mid-1980 activities. Congress said that the most corrupt division of the entire IRS was this Los Angeles CID. They also noted that the most corrupt individuals within that CID were people by the names of Ron Saranow, Phil Xanthos, Al Lipkin, Al Ristuccia and Dan Rocha. Well, you guessed it. Those were the very people assigned to investigate and destroy Scientology.

For the next 3 years this corrupt unit ran one illegal operation after another, in a desperate attempt to destroy the Church. We may never know the full extent of their actions, but we know these operations included illegal opening of our mail, illegal phone taps, and physical surveillance of Church leaders. That's right, they used to follow myself and others wherever we went and whenever we did. And it went on for years. They additionally tried to intimidate anybody who had any working relationship with us. They went to our banks and harangued the managers, hoping they would freeze our accounts. They went to our travel agencies and browbeat them into giving up all of our travel records. They even went to our lawyers and other groups doing business with the Church just to harass them and black PR us. The motive was obvious. Make it uncomfortable for anybody to be associated with the Church of Scientology or its people.

They also put their thief training to work. They stole briefcases from our staff and attorneys containing legal papers regarding the IRS. They broke into the trunks of our cars many times, apparently looking for papers to rip off. They never got any but the break-ins continued until I personally requested the national office of the IRS to stop these black bag jobs. You know what their response was? "That's not us - that's Los Angeles IRS!" But they apparently passed on the word as all of the break-ins stopped immediately. They even went so far as to set up an observation post on the top of the California Federal Bank building. Right across the street from the Cedars complex. That way they could watch all the activities going on at the Church. Despite all of these activities. The CID had one minor problem. They had placed Scientology under a microscope unlike any other in history and still, they could find no evidence of any wrongdoing. So what did they resort to next?

They decided that if you can't find evidence, just create it. They proceeded to send in an undercover operative on the Church. This operative was under the direct control of LA CID and reported to them daily his orders were to steal internal Church memos and use them as models to manufacture forged documents that would incriminate Church leaders. In other words, see what actual normal Church memorandums look like and then create new ones that looked just like the real thing but containing some alleged criminality. The plan even included creating false issues, like HCO PLs and Executive Directives, that would be disseminated throughout the entire Church membership.

The idea was for this operative to sneak these forgeries into Church files. Once they were there, the IRS would raid the Church, stumble upon these documents and use them to prosecute Church leaders. We of course would have said we knew nothing of these forgeries.

*This is intriguing: the G.O. planned precisely such an operation against the US law enforcement agencies. Entitled "Operation Cat", it entailed planting bogus information on agency computers about a wanted master criminal, who was in fact a cat (of the Felix domesticus variety). The CoS would then expose the bogus information to "prove" that nothing on US Government computers could be trusted to be accurate. I am not aware of the plan ever having been implemented.*

But with the black propaganda being spread by the US government, who would have believed us? There was one other interesting side note to this. Once Church leadership was carted off to jail, there would be a vacuum in Church management. But the IRS even had a plan for this. They promised the squirrels that if they aided in this plan, they could then assume leadership and full control of the Church. There was one proviso. They had to disavow L. Ron Hubbard as Source of Scientology. So, for those of you who remember the old squirrel groups, you now know what they were really up to.

*This is an extraordinary claim, even by Miscavige's standards. He provides no corroboration for this; and isn't there a contradiction between his claim that the IRS wanted to destroy the CoS, and this claim that it wanted to give control of it to the "squirrels" (dissidents)?*

The IRS even passed on their strategy as to how they would get away with telling such lies. Their infiltrator / informant was asked how the IRS planned on supporting their baseless allegations. The informant replied by giving the IRS policy on matters dealing with Scientology. He said:

Quote

"Just allege it. You don't have to prove a goddamned thing. Just allege it."

Unquote

*The reader will appreciate how apt this is for Miscavige's own claims.*

Don't get too depressed, we're still here. Which makes it quite obvious the IRS ran into a little snag. We found out about the plot and in conjunction with the Los Angeles Police Department managed to get their informant on video tape while he was laying out this plot. So - we in effect ran a sting on the IRS's sting operation.



Yes - we laughed last. And the stinger was stung by the stinger! But the IRS had their paws into more pies than you can imagine. They had gone around to all the judges on our civil cases just for the purpose of black PR'ing us. Don't forget, these people suing us were these same squirrels who had been promised leadership of the Church. We only found this out because judge after judge started commenting that we were under criminal investigation and yet none of the papers filed in the case by either side had ever said such a thing. So how did they find out? There were all manner of other atrocities committed by the IRS during this investigation. But apparently, nothing we did or said could stop them from pursuing their goal of wiping us out. In fact, after LRH left in 1986, they thought the time was right to wipe out the Church and everything LRH stood for. All they had to do was put the finishing touches on LRH's best friends. They just didn't understand what we were all about. After infiltrating LRH's funeral service, IRS CID wrote up a final report to the Department of Justice to prosecute all the leaders of the Church.

*There was no funeral service; Hubbard was cremated without ceremony less than 24 hours after his death. No family members were present and his ashes were dumped in the Pacific. The whole (non-)event was held in strict secrecy and some haste, as the CoS wanted to dispose of Hubbard's remains before the world's media descended on his hideout once the local coroner had certified his death.*

In total this report was several thousand pages long. During the course of this investigation, the IRS had amassed 125,000 pages of documents on myself. To put that in perspective, no one in the history of the United States of America has a bigger government dossier - not even Martin Luther King Jr. I won't deny I've led an interesting life. But, nor that exciting. The IRS alleged that we had committed a huge crime and needed to be put in jail for 21 years. And what was that crime? Asking to be recognized as a religion and bona-fide Church by the IRS! That's right. They wanted to put us in jail just because we wanted them to treat us like every other religion. And there was one other sinister thing they did. It is fairly common knowledge that the IRS has various press people on their payroll. It's a neat partnership - they promise not to go after the journalist on his taxes, and the journalist in turn helps out the IRS agent when he needs it. The LA CID is well-known for being the pros at this trick and they assigned their star journalist to a story on Scientology. You may have heard of the reporter.

His name is Richard Behar. The same SP who later wrote the "Time" article. Only then, he was writing for "Forbes" magazine. Just when it looked like the investigation was waning, Behar was brought on the scene to write a total hatchet job article accusing us of all manner of crimes. The plan was to fan the flames so that senior law enforcement officials would be pressured to make a move.

*This is no surprise; Richard Behar has been a hate figure for the CoS since he wrote his devastating 1990 article on "The Cult of Greed and Power". Miscavige's allegations are quite possibly libellous.*

But when the report was received by the Department of Justice, it was rejected out of hand with a refusal to prosecute. The Department of Justice even refused to initiate a grand jury which is a government fact-finding body that reviews evidence to determine if an investigation should go forward. In other words. The Department of Justice cut off this inquisition in its tracks.

Why?

Well, "justice may be blind" as the saying goes. But she can still smell a rat. Aside from the fact that IRS CID was accusing us of doing something that is not even a crime. They alleged that I was the mastermind of a worldwide conspiracy to defraud the IRS from 1966 to the present. One small problem - I was six years old and in first grade in 1966. We finally did get a copy of the IRS report requesting prosecution. You can see it on the screen!

(doc)

Now isn't that odd looking? You see. The government has it all rigged so you can't see their crimes. Under the law, they are allowed to delete portions of documents they feel are damaging if released. They call this "withholds." No kidding! What they do is delete anything they feel is incriminating. So, when you get a portion of a document that isn't blacked out; you can be sure it is the most mild portion of the document.

*This is total nonsense, as anyone less paranoid than Miscavige would be aware. I have a large collection of FBI and CIA papers on the CoS. Many of them have areas which have been blacked out. Most of these are personal names. All governments have to operate under some degree of confidentiality; they could scarcely govern otherwise.*

*Miscavige's claim to have received an IRS report is very odd indeed. The IRS, uniquely amongst US Government departments, does NOT release information under the Freedom of Information Act because of the exceptional sensitivity of its work (though this seems a little odd when you consider that the Dept of Defense does operate under FOIA). So how did the CoS receive this IRS report?*

In fact they didn't black out their entire report on us. Knowing that these are the least incriminating portions of the document should tell you something. The report reveals the true purpose of their investigation - the same purpose that the IRS has had for Scientology from day one. And it wasn't to enforce the tax law. In their words:

Quote:

"This prosecution will result in the final halt and ultimate disintegration of the Church of Scientology"

Unquote.

They weren't so lucky. Not even close. We lived and are here to tell the story and, when their tactics were exposed and investigated by Congress, it resulted in the dismissal of several staff of the CID and the head of the Los Angeles IRS office was removed in disgrace. His name was Bill Connett. The top IRS officials were so worried about him testifying before Congress - due to all the criminal acts carried out under his command - that they sent him overseas to their European office, so he could not be subpoenaed and forced to testify. His fall from grace was a bitter-sweet victory for us. Because, if you've been wondering why all the attacks started in Europe in the mid-60's - you have your answer. In fact, we have since uncovered documents that prove this same individual, Bill Connett, was behind the raid in Spain. And what of the raids in France? Bill Connett was in Paris when they occurred. And what about Germany? Where have they been getting the information on Scientology? That's right - Bill Connett. He even went so far as to see the immigration officials in American embassies overseas to stop foreign staff members from gaining visas to do training at Flag. Nonetheless, when the CID investigation folded at the end of 1986, we knew the IRS had run out of reasons to harass us.

Even their trumped-up allegations weren't standing up within the government itself. From our perspective, we thought we had survived the worst they could throw at us. And the church was expanding. But there was still one remaining problem with the IRS. They may not have found anything wrong with us, but they still refused to recognize our churches as bona fide. You see, even when the IRS can't get you overtly, they can still smear you by slating you don't live up to their qualifications to be recognized as a bona-fide church or religion. So at the beginning of 1987, we again applied for recognition to the IRS.

There is a full administrative procedure that one goes through and which we cooperated with in detail. To put this in perspective, usually an application for religious recognition gets a total review of 2 and 1/2 hours by the IRS, at which point it is granted. But the rules were different for Scientology: throughout the next year and a half, we were forced to submit over a million pages of documents. The IRS was still unable to find anything wrong, or any reason to legitimately deny our exemption. So they had one final request. Allow them to do what they called a "limited



financial review". This had the purpose of assuring them that the money in Scientology was all being used for legitimate purposes and that the records were in order. Apparently having no choice, we agreed. Their limited review turned into the most extensive examination of any organization in history. In fact; they spent 6,240 hours reviewing our records.

This is the equivalent of one person working 40 hours a week, 52 weeks a year, for three years. At the end of that review, they stated they could find nothing wrong. Just as we were expecting to receive our letters of recognition in 1988, probably the most bizarre twist in this tale occurred. The IRS promptly shut down all communication with us and the next day issued a denial of tax exemption.

Their reason?

"We had failed to cooperate in making our records available to them!"

We felt like we had walked through the looking glass. The IRS' communication literally said we refused to turn over any documents to them. And here we had actually produced over a million pages worth as well as all of our financial records. We were later to find out through the freedom of information act that this very letter refusing to recognize us had actually been drafted 6 months earlier, before they even began their financial review. They never intended on granting recognition but instead wanted to illegally gather information from us that they could then use in a new round of assaults.

Just 3 months later all of the top church corporations received full audit requests from the Internal Revenue Service. These were unlike any ever issued in history to anyone.

They requested every single document in our possession.

They wanted all of our financial records.

They wanted all of our bank records.

They wanted all of our canceled checks.

They wanted every internal church issue.

They wanted every PC folder.

They wanted every student file.

They wanted full lists of all our parishioners including the exact amounts they had donated and when.

They wanted all the social security numbers of all of our parishioners.

But why go on?

In effect, we would have had to build the biggest vacuum cleaner that has ever existed and attach it to the top of our building and turn it on to provide them with everything they were asking for. The first action required per law was for us to respond to these requests. According to the IRS rules, you are allowed to give your response to their request before they can force you to produce your documents. Church staff and attorneys worked around the clock to get these responses to the IRS within the allowed time period. And by the way, that happened 'to be during the Christmas season. Nonetheless, we did get them our replies. But when the IRS responded, we found their answers were dated 4 days before we had even replied. We asked the IRS how they could do this. They said,

"Per law you have the right to respond. That doesn't mean we have to read it!"

This started a huge round of battles in the courts. And the odds were definitely not in our favor. In fact, the IRS had never lost on this issue in court. But then again, they hadn't faced the Church of Scientology. We were to soon find out that this was only the first part of their assault.

IRS agents from around the country gathered for a conference in Atlanta to strategize our total destruction. And the second phase of this assault was to go after you. That's right. They worked out how they would start auditing the tax returns of individual Scientologists. They even worked out how they would deal with you when you received their requests. IRS agents around the country were ordered not to listen to any of your explanations, but to hit you with every penalty in the book, and they were to start at least two new audits every single week. This strategy was activated resulting in thousands upon thousands of audits on Scientologists across the United States. And they were desperately trying to get the church to comply with their requests so they could find out the rest of your names and go after each and every one of you.

Our church staff and attorneys fought this hard in the courts and were able to get hearings before judges across the country to declare these IRS actions illegal. And, that's where we stood at the beginning of 1991. Scientologists were being harassed left, right and center and our hopes were hanging on the judicial system while judges across the country considered our motions to stop this latest and most vicious assault. And then, just when it looked like we may get a fair shake, "Time" magazine hit the newsstands. It was but a few weeks later that we found one of the judges on our case had framed the cover and placed it in his chambers. And that the IRS attorney coordinating this assault against Scientology was playing tennis with this same federal judge. And although we may not know who won those tennis matches, you can be sure it wasn't the Church of Scientology!

They not only were hitting us on every front - but they had even prejudiced the courts to ensure no objective review would occur. IRS arrogance reached its peak - one IRS agent was told that the volume of documents being requested was so great that it would literally fill several boxcars.

His response? "I've got twelve years till retirement."

And just to ensure the pressure was really on, the tax collection branch of the IRS was set loose. They froze church bank accounts. Issued a warrant to seize church property. Started calculating a trumped-up tax bill that would reach upwards of a billion dollars. And just for good measure, started hitting the top church executives with arbitrary assessments totaling millions of dollars. And freezing what little bank accounts they did have. This was truly the most critical juncture in our history. A battle of life and death was being fought on a daily basis. And at this point, I'll bet everyone of you in the audience feels like striking back. Well, you can't imagine how we felt. And it wasn't just because of the personal abuse we were suffering. Or because the church was being assaulted. The "straw that broke the camel's back" is when they turned on you. The IRS had made this war so personal that they would make it dangerous to just be a Scientologist. Strike back we did. In fact - a newspaper article at the Time had these words to say:

"Scientologists are if nothing else the anti-matter of quitters. There's an old saying: when the going gets tough - pit bulls call a Scientologist."

As grim as this period was, the IRS had once again underestimated us. Because now we had the International Association of Scientologists. And for the first time in history we could level out the playing field when it came to resources and ability to fight this battle on the public front. First we

took out ads in "USA Today", to deal with "Time" magazine. It was time for them to face up to their history.

(ad)

How would you like to be known as the magazine that extolled Adolf Hitler as the: "messiah of Germany"?

(ad)

Or the one who promoted Benito Mussolini as a "virtuoso of politics, a wizard with economic and military gadgets, an athlete and a leader of men".

In other words, he could run while holding a bazooka and a calculator at the same time! And the campaign continued. "Time" magazine was going to pay for their sins and once we finished running our ads - we sued them for 416 million dollars to make sure they would make amends.

*Both the ad campaign and the lawsuit failed dismally; the allegations made in "Time" were upheld in court in their entirety. The CoS lost the suit and several million dollars in legal expenses.*

But where did that leave us with the IRS? As 1991 continued, the IRS had set up whole branches exclusively dedicated to attacking Scientology. The key attacker later admitted under oath that: "literally thousands of agents were working on the Scientology problem." Fighting the IRS is like fighting shadows. We stepped up our efforts to get government documents about us, through the freedom of information act. This would escalate to literally thousands of requests, and when the IRS wouldn't comply we never failed to take them to court. Slowly we were able to start piecing together the picture. And we were also beginning to impinge on government resources. In fact, the attorneys working for the government defending these law suits were to become so inundated that their entire budget would be wiped out handling our cases - so much so that they didn't even have money to attend the annual American Bar Association conference of lawyers - which they were supposed to speak at!

*This is another significant admission. The CoS is well-known for bankrupting its opponents through repeated (and usually unsuccessful) litigation. Evidently it decided to try the same tactic against the IRS. According to Miscavige, it bombarded the IRS with 2,500 lawsuits - enough to make any organisation crack.*

We became known across the country as the one group willing to take on the IRS.

But that wasn't enough - it soon became evident that the IRS was playing by different rules than us. They were making it personal - going after you and me. Yet whenever we struck back - it was at the quote: "IRS." Unquote. Well - what is the IRS? It is a group and a group is composed of individuals. No question the entire agency was acting suppressive. But that is a dramatization of some of its individuals. So - we decided to play by their rules and make this personal. We began exposing the actual who's. That's right - naming names. First we had "Freedom" magazine.

*Highly significant. L. Ron Hubbard had emphasised that no matter how powerful a group was, in the end it was composed of individuals. Miscavige appears to be admitting that, as the CoS was unable to defeat the IRS as a group, it instead targetted key individuals in the agency.*

Again - don't underestimate the impingement of this magazine. In fact, the exposes of IRS crimes were so hated that possession of "Freedom" magazine was banned by IRS officials in the IRS building. You know how people respond when they are told they can't see something. They want it more. When we took our next edition down to the IRS building - employees were running to get their copy! Here you can see some of those magazines.

*"Freedom" magazine has acquired a certain amount of infamy for regularly running vehement personal abuse ("dead agent packs") of Scientology's opponents. It has on at least one occasion been heavily penalised for libel.*

(Visual)

And all the while the wars continued to rage in the courts. During this entire period - we desperately tried to meet with IRS officials to resolve these matters. It was a war out of control. And utterly baseless. But meet they wouldn't - they steadfastly refused to communicate with us in any other way than assaults. And only when it seemed hopeless, did we decide to really escalate matters.

First we filed a suit for 128 million dollars on the IRS and the individual IRS agents committing these criminal acts.

*A confirmation of Scientology's targetting of individual officials.*

We were able to piece their crimes together from the bits of documents we had received. And then the International Association of Scientologists sponsored more ads in "USA Today". You have no idea how much the IRS hates publicity. But to see their own faces? It was more than they could handle. Everyone told us to not place these ads. That it would end any hope of ending this war. That they would never forgive us. But the decision was made to move ahead. As their agenda to destroy the church had already been exposed, what more could the IRS do to us anyway? And if upsetting them was a concern, what were they now - happy? Here you can see some of these ads:

(ad)

"Don't you kill my daddy"

(ad)

"What he didn't know about the IRS could affect you too", - showing how the IRS had targeted John Wayne.

(ad)

And - "All of America loved Lucy - except the IRS."

(ad)

"How do you spell IRS in Russian? Answer - KGB!"

*The extreme crudity of these ads speaks for itself. They were not intended to promote Scientology's case, merely to attack the IRS - again, part of the strategy of bullying the IRS.*

(ad) And here's one: IRS playing God. With a picture of the man running the current assault.

(ad)

And just so we weren't picking favorites, we even gave an ad to Fred Goldberg - the Commissioner of the IRS.

(ad)

And, another one for good measure: to get an idea of how heavy this war had gotten, consider this report from another newspaper:

Quote

"The IRS vs. the Scientologists! Even God should think twice before picking sides on this one!

"A warning frequently laid on me by a nun I once knew was - 'Remember to be good because God is watching.'

And the United States Internal Revenue Service is getting its share of God watching right now. The Church of Scientology has been crucifying the Federal agency for its sins on a regular basis, both in and out of court!"

Unquote.

And so the war raged on. And on. And on.

Believe me, no other group in the history of this country has ever been subjected to the assault I have briefed you on tonight. That's not my opinion. It's the statement of the government. And all for what? Trying to help make people happy? Crossing somebody's psychiatric multi-billion dollar enterprise? Any other group would have collapsed. In fact - they have. You don't know them - because they aren't here. But we didn't die. We took everything that the enemy threw at us and lived to tell about it but we have done more than that. All the while, with bombs being dropped on our heads - we never lost sight of our true mission. And that is keeping the real show on the road. Auditing people. Training people. Clearing people. Making OTs. Sometimes you may have seen us a little ragged. Or a little frazzled. You no doubt have had some similar experience. But we maintained our integrity - all of us - despite the assaults sent our way.

The 1980's and 90's have been tumultuous. Even with this war raging, look at what we accomplished. We have more orgs. We have expanded. We have bigger dissemination campaigns than ever. Our buildings are bigger and new ones are being obtained for new orgs. More clears are being made. OTs are coming off the line quicker than ever. All of this tech has been made available - in a pure unadulterated form.

So, what's the point?

Imagine how far we would be if we had not had to carry out our mission with this 40-year history of unwarranted assaults. Imagine how far we could go, if we were only treated like everybody else. About the best thing that can be said about fighting such a war is that there are interesting stories to tell - like those I have told tonight. They are only interesting when you survive and can tell them. As you no doubt realize - the IRS is basic on the chain of attacks on Scientology without them flanking the psychs at every turn, the squirrels at every turn, the shyster lawyers at every turn and fueling the media enthetaa - we would have peace. And not just in the US - but across the world. You, no matter what you are doing in Scientology - inside or out - have been part of this war, whether fighting it on the front lines, or becoming an auditor and helping to clear this planer. And being there is an experience you should never forget. Pass it on to your children. And grandchildren. One final story is in order.

In October of 1991, while this war was raging at its apex, Marty Rathbun and I were in Washington DC. to attend one of these court hearings I mentioned. It was to be the next day. We had just finished a lunch meeting and our next appointment wasn't for a couple of hours. In other words - we had some spare time on our hands. That's not something we're accustomed to, so - we thought at last we could create a bit of mischief. We told the lawyers we'd see them in an hour or so and that we would be down at the IRS building. Of course they had a good chuckle as we left the room. Off we proceeded to 1111 Constitution Avenue - which if you didn't know is the address of the national headquarters of the IRS. We presented ourselves to security at the front door, signed the visitors log and informed them we were there to see Fred. They asked - Fred who? We answered, Fred Goldberg of course, the Commissioner of the IRS. "Is he expecting you"" they asked. "No", was our response. "but if you phone him on the intercom and tell him we are from the Church of Scientology, I am sure he'd love to see us." Have you ever wondered whether we were really impinging, when we have spoken of the IRS at previous events? Well - if so - shame on you.

We did meet with the commissioner, and, as the saying goes - the rest is history.

There will be no billion dollar tax bill which we can't pay.

There will be no more discrimination.

There will be no more 2,500 cases against parishioners across the US.

The pipeline of IRS false reports won't keep flowing across the planet

There will be no more nothing - because:

On October first, 1993, at 8:37 p.m. Eastern Standard Time, the IRS issued letters recognizing Scientology and every one of its organizations as fully tax exempt!

The war is over!

Now your first question is probably - what exactly does this mean?

My answer is: everything.

The magnitude of this is greater than you may imagine. And it may take some time to sink in. It hasn't with me yet! It's been a long, hard war - unprecedented in fact - but it is over! The most notable point is that Scientology organizations have been recognized as bona-fide and fully qualifying for tax exemption to the fullest extent of the law. What exactly does this mean? To begin, there are no outstanding tax assessments from the IRS against any Scientology or related entity in the United States. They are all gone. It also means that all Scientology organizations organized not-for-profit have been so recognized and are tax exempt. That's right - every single one of them. There are many non-religious groups we sponsor - which use LRH's tech to improve society in areas like drug rehabilitation, study, criminal reform and morals. All such groups have been recognized as fully tax exempt! Let me take you through this from the top of the org board on down. To understand how big this is this folder I am holding in my hand represents just one copy of every letter of tax exempt recognition the IRS just issued to us. That's how many there are. Here you can see the IRS letter to Religious Technology Center and that is of course the organization I am in charge of.

(visual)

Here you can see a copy of the letter to the Church of Scientology International that is the mother church of the Scientology religion and is the corporation that houses international management.

(visual)



Here you can see the letter recognizing the top service org on the planet, the Flag Service Org.

(visual)

And here you see that the Sea Org Ship Freewinds and the Flag Ship Service Org have also been fully recognized as tax exempt.

(visual)

Tonight we celebrate in Los Angeles and the orgs in the Pac Bridge such as AOLA and ASHO are part of the Church of Scientology Western United States Corporation, which also received a letter of recognition.

(visual)

Here you can see the letter recognizing Scientology Missions International. They are the head of the mission network internationally

(visual)

Field auditors are licensed by I-HELP, which stands for: International Hubbard Ecclesiastical League of Pastors. And they too have been recognized as fully tax exempt.

(visual)

The Association for Better Living and Education is the group which promotes and coordinates the social betterment groups that utilize LRH's tech. Organizations like Narconon, Applied Scholastics and so forth. ABLE is the group that raises funding for these groups and helps coordinate their activities and they too have been recognized as fully tax exempt.

(visual)

Applied Scholastics International also received a new recognition.

(visual)

As well as the Way To Happiness Foundation.

(visual)

The IRS even recognized that the publishing of LRH books on Scientology is a charitable activity and as you can see here, they issued letters recognizing Bridge Publications.

(visual)

And New Era Publications in Denmark, which handles all non-US publishing.

*As the last two entities publish Hubbard's fictional work, these seems extraordinary exemptions to make. "Battlefield Earth" and the like are actually published and sold commercially in bookshops across the world. Hubbard's fiction does not even mention Scientology or Dianetics. How does this qualify for tax exemption?*

(visual)

Over the last several years we have been expanding our efforts to get LRH's admin tech into full use. WISE Int. has now set up a new college to train people in this tech. It is called the Hubbard College of Administration and as you can see here, it too is recognized by the IRS!

*This is another odd exemption, as WISE operates fee-paying courses in "secular Scientology" (actually called "management technology") for the "benefit" of businessmen, both Scientologists and "wogs".*

(visual)

CCHR exposes the crimes of the psychs and works to clean up the field of mental healing. To help them do a better job, the IRS confirmed they are tax exempt.

(visual)

Aside from indicating that these organizations don't have to pay taxes, these letters also signify that the IRS has reviewed their activities and has found they are exclusively charitable in nature.

*"Battlefield Earth" is charitable??*

In other words - these letters act as a sort of government stamp of approval for each and every one of these churches and groups.

*This cannot possibly be constitutional, surely?*

These recognitions are even more far-ranging than you may realize. You can see on the screen another letter of recognition from the IRS. It is to the Church of Scientology International.

(visual)

This is different than the one I showed earlier. It is called a group exemption letter. What that means is that it covers all subordinate organizations to this corporation. In strictly layman terms, let me explain what this means. In the future, when new orgs open - they will no longer need to apply to the IRS. Instead, they would have to pass the qualifications laid out and enforced by the mother church of Scientology International - who themselves would then grant the exemption and pass on the data to the IRS for their info. So, Church of Scientology International will now be the one granting exemption to all Churches of Scientology. And what about missions? You can see another letter to Scientology Missions International on the screen.

(visual)

It gives them the right to grant exemption to new missions opening in the United States. Many other organizations received similar letters. Narconon Int. can grant exemption to Narconons. The Hubbard College of Administration can do so with their subordinate colleges. Applied

Scholastics International can as well and finally, even the Citizens Commission on Human Rights can grant new exemptions!

*I am no tax expert, but this seems extraordinary. To restate it: the Church of Scientology can now state which of its entities are tax exempt - not just which **qualify** for tax exemption, but which **are** exempt. What oversight is exercised by the IRS in this process? Public servants are accountable for their decisions to Congress; but how can the CoS be held accountable for its decisions if it has been granted such sweeping powers?*

In all, on October 1st, 153 orgs, missions and Scientology groups were newly ranted full tax exempt recognition by the IRS. In 1984, the IAS was established to protect and defend Scientology. As you have seen, this was in no small measure to ensure that the Internal Revenue Service could not wipe us out. It was the IAS that provided the means for us to fight this war with the IRS. And to show you just how much the war is over - the Internal Revenue Service - after having reviewed all of these activities of the IAS - has granted it tax exempt recognition!

(visual)

Now - how does all of this affect you personally? Let's face it - Scientologists have not been treated like members of other religions ever. They have had a burden placed on them unlike any group and when one is part of a new group, working to establish itself during its formative years - this can be quite crippling. You, like the church, have somehow managed. But it hasn't been easy. And all the while we have fought this, there seems to have been disappointment just around the corner. I am proud to announce the discrimination is over: your tax deductions on donations to Scientology will no longer be disallowed by the Internal Revenue Service!

There is more.

As of this week, there were over 2,500 cases pending in the courts with the IRS charging tax deductions for donations to the Church. In fact, I have the full list - with every one of your names on it and the amount at issue was over 29 million dollars! Others of you around the country are being audited and have had your deductions challenged, even if this hasn't yet made it to the courts. And others still have only gotten as far as receiving notice that a donation was disallowed. I told you the war is over, and it is for you too. There are no more tax court cases, there are no more disallowed deductions - it is all over and your deductions are allowed. And there is even one final point. IAS recently set up a fund in the US to receive donations from US members. It was immediately granted tax exempt recognition by the IRS, as you can see here.

(visual)

So, all of your donations to this IAS fund will now be 100% tax deductible. There are other ramifications to this, which are really too complex for me to get into tonight. But - we have prepared a booklet that explains how your contributions to Scientology will be treated and each of you will receive a copy of it as you leave tonight's event.

(visual)

And what about all those battles and wars still being fought overseas - many of which were brought about originally by IRS false reports. Well, there's good news on that front too. To begin with, we will waste no time carrying news of this new breakthrough to all foreign countries. Those battles have been being held in place by suppressive governments just quoting the IRS.

The line has been:

"You are an American religion. If the IRS doesn't recognize you, why should we?"

The answer is -

"They do. And now, you better as well!"

Make no mistake - there is much work to be done on those fronts. But we have already taken the first steps in using this IRS victory to end the rest of the battles. What about all of the false reports I mentioned tonight? We are now in possession of them and will be receiving many more documents out of our files. We will diligently work to clean up all false reports.

*This is significant and worrying. The infamous "Operation Snow White", the 1970s operation by the G.O. to steal US Govt files concerning Scientology, had as its justification the need to "clean up false reports". Miscavige is using precisely the same wording. Does this mean that the IRS is giving the CoS full access to all the relevant files so that the CoS can purge them of any unflattering information? If so, how does this square with the IRS's duty to maintain confidentiality? Miscavige's next comments suggest rather strongly that the IRS have accepted the CoS' view that it has been guilty of peddling "false reports" to other governments:*

But there is another step that will go a long way in cleaning up the false representations the IRS has made about us. The IRS has agreed to send out leaflets to the governments of every nation. These letters will state that they have done a thorough review of all Scientology activities from top to bottom and having found nothing wrong - fully recognize us as a bona-fide and qualified tax exempt organization to the full extent of the law.

Furthermore, they will be attaching to each of these letters a printed fact sheet on Scientology that explains what Scientology really is. Who LRH is, and what all of our organizations are. It is very complete and very accurate. How do I know?

We wrote it!

And the IRS will be sending it out to every government in the world! Even Interpol will receive our fact sheet directly from the IRS. That's what it looks like!

*This has been confirmed - the IRS sent precisely such a letter and fact sheet to the German minister responsible for dealing with cult activities (!). How does the IRS justify the use of taxpayers' resources to send overseas documents promoting a particular religion/corporation?*

(visual)

And tonight, when you leave, you will receive your own copy of the fact sheet. And there you have it. That generally explains what has been accomplished. There are all manner of other details I could tell you - but we'd be here a week. You'll be hearing more about it in the future and any questions will be answered I am sure. Earlier on, I mentioned a meeting between the Commissioner of the IRS - Fred Goldberg - and ourselves. Of course I then jumped to the punch line.

Remember that in the middle there were two years. And it was a full two years. Nothing magically happened. It was still a tough battle. Dealing with the IRS, after years of false reports being spread, was nothing short of astonishing. As I told you - a group is composed of individuals and a suppressive group is only a dramatization of the suppressive character of one or more of its members. One key part of our success was making sure none of the real SPs were on our lines, or were allowed to interject themselves into our affairs. That was tougher than you might imagine. But not

everybody in the IRS is suppressive. In fact, over the years the IRS finally assembled a team of some very decent individuals to resolve these matters with us. Ones who were sick and tired of the war and who were courageous enough to stand up for what was right.

Don't think they didn't have the SPs in the IRS crawling down their backs just like they did to us. Sure, we had to clean up false data - tons of it!

The officials we dealt with actually thought we had never turned over any financial records to the IRS! That shows you just how bad things can get. But they were man enough to not get defensive when we showed conclusive proof of the opposite. These individuals also knew discrimination when they saw it. And were willing to get the real data on Scientology. In fact, we briefed them on the entire grade chart and they even watched the LRH filmed lecture entitled "Classification and Gradation". They watched the Dianetics video. Had their own copies of WIS. And yes, one of them even picked up the cans for a meter test. The real thing I want you to understand is that we didn't just get exemption - we ended a war.

We wanted to end all conflicts, to have a fresh start - to get rid of any potential future conflicts so some SP couldn't start it all up again. It took time. It took a lot of work. It resulted in a peace treaty. I even brought a copy of it to show you. This represents what it took to resolve each and every outstanding conflict with the IRS.

That's how big this war was. I want you to understand something else. The power of our group is greater than you can imagine. When we stand shoulder to shoulder, there is nothing we can't accomplish. It doesn't just happen with postulates. It takes actual doingness. And real people doing it.

The doingness was so great on this war, that I honestly know the IRS was just as happy as we were when the war ended. You may think, after everything you know of the IRS, that they begrudgingly gave us what we wanted.

No.

There was case change.

Here is a photo. It shows the handshake when this was all over:

(picture)

Represented in this picture are each and every person from the IRS side and our side. But I have another picture to show you. It is this one.

(picture)

You can see how happy Norman, Heber, Marty and myself are. But who is that giving the thumbs up on the left? That's right - the IRS. Let me be clear. These people - once our enemy - now see us as friends. And for my part, the feeling is mutual. So, don't you hang onto the charge. It is now time to move into the future. The end of this war should not be considered as an end of cycle so much as a beginning of cycle. It should mark the beginning of our greatest expansion ever. It should mark the beginning of our biggest shoulder-to-shoulder push ever to clear this planet. But before we move on, some thanks are in order and I would like to give mine. I would first like to thank all Scientologists and particularly members of the International Association of Scientologists for all of their support over the last 9 years that made this victory possible. I would like to thank the staffs over the world. They have lived through one crisis after another and not ever under the best of conditions, but they hung in there and work to keep the show on the road. They should be acknowledged for their dedication. I would like to thank all members of the sea organization who are upholding the ethics standard across the planet so that tech can go in and people can truly go free. I'd like to thank all of the staff of the Office of Special Affairs who have lived with more entheia over the years than anybody ever deserved. But they hang in there and helped bring forth this win. Sea Org members aren't given awards at IAS events. We reserve them for our own internal ceremonies. But I would like to thank 3 individuals who were there on the front lines helping to fight this battle.

They are Marty Rathbun, Norman Starkey and Heber Jentzsch. But it is appropriate this evening to present some awards. This is a huge victory.

*Not sure who Rathbun is. Starkey is, I think, the controller of the semi- secret Scientology fund, "Author's Trust Fund B" (he formerly headed the CMO and was a key Miscavige ally in the anti-G.O. coup). Jentzsch is the titular President of the Church of Scientology International and is a prominent spokesperson for the CoS, though he does not appear to hold much real power.*

In regard to external suppression there has never been one bigger. The Church has many fine professionals that it employs. I think we have the best in the world. I know we are very demanding and it takes quite a person to stick in there and really make it. Don't forget, coming to our defense makes you subject to all of the attacks I have told you about tonight. But we have many fine people, names that are now famous in Scientology - like Earle Cooley, Bill Drescher, Eric Lieberman, Michael Hertzberg

*... all CoS lawyers...*

and others. But for fighting this war, we have some professionals who specifically should be acknowledged.

In fact, they have no idea this is coming, so will probably be most surprised when they hear their names. We have a brand new award for tonight's event. I would like them brought out on stage now. These are Waterford crystal trophies, hand carved in Ireland. They are a special award only for this victory in recognition of the huge accomplishment that has been achieved. There are two groups of individuals I would like to thank and acknowledge tonight. The victory we have achieved would not have been possible without the offensive we were able to wage on the Freedom of Information Act front. It's easy now to look back and say what we were doing was pulling withholds. And when you pull withholds you begin to get case change. Were it not for the massive amount of information we gathered, it is highly unlikely, virtually impossible, that the IRS would have ever met with us.

We had to get their crimes and begin exposing them before this war became real to them personally but do it we did. And two people in particular deserve recognition. One has been an attorney for the church for over 15 years. He has dedicated his life to keeping government honest through the Freedom of Information Act, and in fact is the foremost expert in regard to this law. He set the standard, and practically writes the book on how freedom of information is to be administered. The other person is our litigator in such matters. If you've ever met him, you would think he is the most mild-mannered person you'd ever seen.

But I can tell you with absolute certainty there isn't an individual more hated by the Department of Justice or the Internal Revenue Service today. He truly brought them to tears. They are both being presented with a trophy that is inscribed:

Quote:

"Truth knows no impenetrable barrier and only truth pierces the thickest armor. With sincere appreciation to Bill Walsh and Rick Moxon who pierced the armor."

*Moxon is the CoS' chief lawyer, but I'm not sure who Walsh is.*

Please come on stage and receive your award.



The final three awards are for some individuals v/ho have been directly involved in the war with the IRS for the last 8 years. Not a few battles. But every one of them.

They have hung in there through thick and thin.

They never gave up.

They never lost faith.

They were personally abused by the IRS in the midst of this war. It didn't sway them: but most importantly, they were effective. As anyone knows, the Internal Revenue Service operates on a code that nobody can understand. Not even the IRS understands their own code and we were lucky enough to have on our side individuals who knew more about the IRS than the IRS. One of these persons first came on the scene during that criminal investigation I mentioned earlier. Without his help and counsel, we might have all gone to jail and we wouldn't be here to talk tonight the other two individuals have been fighting this tax exemption issue with us for many years. And the tax deductibility issue. And any and all other issues that affected any other tax agency. This win is as much theirs as it is ours and I would like to acknowledge them with a special trophy inscribed with the freedom quote:

Quote:

"The price of freedom: constant alertness, constant willingness to fight back, there is no other price."

"With deepest appreciation to Jerry Feffer, Tom Spring, and Monique Vingling, who paid the price."

Please come on stage and receive your award.

Finally, there is one more announcement I would like to make. It is time for us to concentrate our time and energy on reaching out to the billions of people who need Dianetics and Scientology, building our orgs, and helping everyone to move up to full OT. In times of war there are always some casualties. There are those who may have been led astray by the ill-intentioned. In the presence of suppressives, people can make mistakes and get confused. It is unfortunate, but true. It is time for such individuals to be salvaged. There is no question that there were some SPs who deliberately tried to stop us. If they had their way, we would have lost everything. We know who they are and we'll get to them last.

But it is time to pick up the casualties of this war. And who have fallen off the bridge or stalled in some way so that we may all start fresh from this point forward I am declaring a general amnesty for all Scientologists. Except for suppressive acts, any and all offenses committed are forgiven. Full details of this amnesty will be made available to you. Avail yourself of it.

The future is ours.



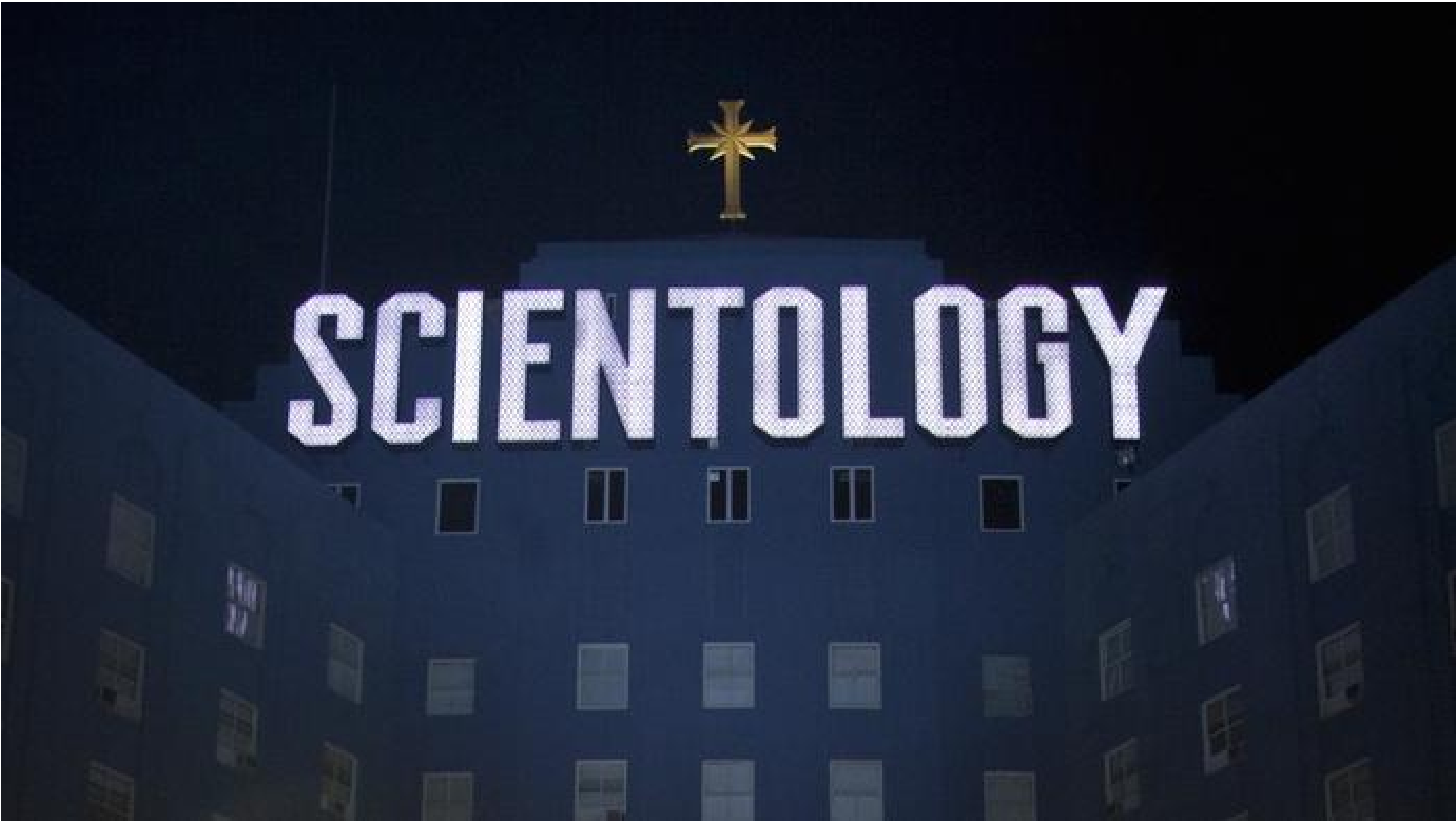
**Scientology  
versus the IRS**

Last updated 12 April 1997  
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UNITED STATES (/TOPIC/UNITED-STATES)

# Scientology, 'Going Clear,' and the Church's Long War With the IRS

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By Justin Rohrlich (/contributor/justin-rohrlich)

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Shortly after 6am on the morning of July 8, 1977, Special Agent Elmer "Lindy" Linberg stood at the gate in front of 4833 Fountain Avenue and pushed the call button. The night caretaker of the Los Angeles building came out, walked about 10 feet toward the gate, and then stopped. He refused to come any closer.

"We are with the FBI, and we are here to serve a federal search warrant," Linberg shouted.

The imposing 500,000 square-foot building that once housed the Cedars of Lebanon Hospital had been purchased the year before by the Church of Scientology for \$5 million. The church had then painted it blue and made it their international headquarters.

As Linberg, then the head of the FBI's Los Angeles Field Office, later wrote in his official report of the incident (it was eventually made available to the public along with thousands of related documents via the Freedom of Information Act), "a large German Shepherd dog was noticed roaming free inside the fenced area." Linberg ordered his agents to cut the lock and move in. The dog left them alone.

**Related:** Mormon church's support of gay rights tied to religious exemption law [↗](#)

"SAC Linberg immediately advised [name redacted] and [name redacted] that the continued operation of the sweepers would interfere with the search, and SAC Linberg ordered all but one broom sweeper to clear the area," reads the report. A few minutes later, "numerous individuals carrying clipboards, cameras, and tape recorders" appeared. They identified themselves as church "affiliates" and said they were on hand to "observe and record the Agents' conduct."

At 7:30am, the keys still hadn't arrived. Linberg was told that the church's "legal advisor" was en route, and that he'd have the keys there in 10 minutes. At 8am, Linberg instructed his men to open the locked doors and cabinets by force. No one identifying themselves as a legal advisor ever showed up with keys.

While all this was going on, the FBI was executing simultaneous search warrants at two other church locations: Scientology's so-called Celebrity Centre two miles away, and the church's offices near Dupont Circle in Washington, DC. At both locations, church members followed agents with cameras, clipboards, and tape recorders. According to FBI reports, church members at the Celebrity Centre shut off the water so agents couldn't go to the bathroom.

At 9:40am, the Los Angeles agents reported that they had "struck gold." About 90 minutes later, they informed supervisors that they had "got everything they were looking for and then some." Agents in DC reported to headquarters at 1:03pm with "a cryptic message that 'it looks like we scored.' SAC Stames could not elaborate on this message at this time." The FBI seized so many documents from church files that it took teams of three agents working 24 hours a day for 10 straight work days to Xerox them all. The Bureau had to rent 10 additional copiers to handle the load.

The purpose of the raid? To disrupt a dirty tricks campaign the church called "Operation Snow White."

As Lawrence Wright noted (<https://books.google.com/books?id=z4IDPV2hZL0C&lpg=PT152&dq=Nothing%20in%20American%20history%20can%20compare%20with%20the%20scale%20of%20the%20domestic>) in his 2013 book *Going Clear* — the book upon which the HBO documentary of the same name is based — the Church of Scientology has had a long, contentious history with the IRS. "Nothing in American history," he wrote, "can compare with the scale of the domestic espionage of Operation Snow White."

\* \* \*

The seeds for Operation Snow White were sown in 1967, when the IRS revoked the Church of Scientology's tax-exempt status. The church's activities were "commercial," the ruling said, and their findings "proved conclusively that the Church was operated for the benefit of L. Ron Hubbard and his family." The church refused to recognize the decision or pay taxes. The US government didn't take kindly to that, and the IRS began monitoring the church as a "dissident group."

The church then launched Operation Snow White in 1973.

"Snow White was originally a litigation strategy to purge the government's files of all the quote/unquote 'false reports' about Scientology," said Marty Rathbun (<https://markrathbun.wordpress.com/about/>), once the No. 2 official in the Church of Scientology, who is also featured in *Going Clear*. "The original intent was to get all these documents legally through FOIA, but the litigation process wasn't going fast enough to satisfy Hubbard's demands. So they decide to flank the whole legal route, like, 'Let's get in there and see what the government is withholding.' Their impatience with the process trumped everything else, which is what always happens with Scientology."

Rathbun, who ran Scientology's intelligence wing known as the Office of Special Affairs, told VICE News that part of the plan involved Cold War-era cloak-and-dagger tactics. In one instance, church officials planted a bug in an IRS conference room in which a meeting to discuss litigation involving Scientology was going to take place. Scientology operatives sat outside the building in a car, transcribing what they heard taking place in the conference room.

The other part of the plan, he said, involved installing "undercover" Scientologists in jobs within the US government — including the IRS — where the moles would have access to files related to the church. One of these moles, a Scientologist named Gerald Bennett Wolfe, got a job in November 1974 as a typist at the IRS in Washington. Over the next 18 months, he stole thousands of documents that had been withheld from the church when they requested their files via FOIA requests, and sent them to Scientology headquarters in LA.



In 1976, *Open Source* (http://www.opensource.com) White was uncovered. An FBI teletype sent on June 20 explains that Wolfe "used fraudulent identification to enter the United States Courthouse in Washington DC and Xerox unknown records contained in that Courthouse."

He was arrested by the FBI. The light sentence handed down to Bennett suggests some degree of cooperation with the government; he pled guilty to one count of "Fraudulent Use of a Government Seal," and in June 1977, he was sentenced to two years probation and 100 hours of community service. In October 1979, eleven Scientologists were convicted (http://www.cs.cmu.edu/~dst/Cowen/essays/timeline.html) of charges including burglary, obstruction of justice, and theft of government property. One of them was L. Ron Hubbard's wife, Mary Sue, who was given a conditional sentence of five years and fined \$10,000. She served one year.

\* \* \*

After the Snow White fiasco, the church underwent a corporate restructuring of sorts, breaking up the central entity into many separate individual parts. Karin Pouw, the director of public affairs for Church of Scientology International, told VICE News that the criminal activity was "undertaken by individuals who were part of an autonomous rogue unit" who were "promptly dismissed."

"The term Snow White referred to the name of a program written by L. Ron Hubbard in 1972 designed to locate and expunge by legal means false reports in government files," Pouw said. "The name of the program was taken from the fairy tale *Snow White and the Seven Dwarfs* — appropriate because in the fairy tale, the plot against Snow White was carried out by secret means, and in the case of the spreading of false reports about Scientology, the governments concerned were spreading a fairy tale with no basis in fact."

The church changed the name of its intelligence-gathering arm from the Guardian's Office (GO) to the Office of Special Affairs. It also created a fearsome legal machine. According to Rathbun, he was largely responsible for this new beginning; he now likens it to Michael Corleone seeking to "legitimize" the business.

"The '2.0' on the Church's tactics after Snow White was really about ending all the infiltration, covert ops-type of activity for several years," Rathbun said. "Our brief from Hubbard was like Inspector Renault from *Casablanca*, the whole, 'I'm shocked there's gambling going on in this cafe,' sort of thing. So, that's when just about everything started being done through attorneys and licensed private investigators."

*'The church truly believed they were equal to the US government. They thought they had the right to break into the IRS offices, and tried to trivialize it, like, "Hey, we're just trying to correct the records."'*

However, Rathbun added that after "a year or so of playing by the Marquess of Queensberry rules," an edict came down from Hubbard in the form of a memo.

"I'll always remember the exact words: 'We need to make them afraid of us again,'" Rathbun said, explaining that the church kept things "literally legal" but took them as close to the edge of legality as possible. "We were still trying to retain some sort of aggressive effect on resistance, but it was a kinder, gentler, more socially acceptable form of harassment."

Jeffrey Augustine, a one-time Scientologist who now runs the Scientology Money Project (http://scientologymoneyproject.com/), a website devoted to investigating the church's finances, said there is a mindset within Scientology deriving from Hubbard's belief that the church should determine laws. Thus, stealing files from an IRS office isn't really a transgression.

"The church truly believed they were equal to the US government," Augustine told VICE News. "They thought they had the right to break into the IRS offices, and tried to trivialize it, like, 'Hey, we're just trying to correct the records.' It was just shocking."

\* \* \*

Before he left the church in 2005, Jefferson Hawkins was a top official in the church's elite private navy, the Sea Org. He now describes it as "Scientology's inner, fanatical, paramilitary group." Hawkins, who created (http://blogs.villagevoice.com/runninscared/2011/08/jefferson\_hawkins\_top\_25\_crippling\_scientology.php) the iconic Volcano commercial (https://www.youtube.com/watch?v=cIIazHbErhc) for *Dianetics* in the 1980s, told VICE News one of the first things he learned upon joining the church was the importance of throwing the first punch.

"Hubbard used to say, 'Never defend, always attack,'" Hawkins said. "This was gospel."

circulated internally about a week before the LA and DC Snow White raids reminded agents of "the extreme sensitivity of this matter," adding that "nationwide publicity will possibly result from execution of above described search warrants."

Less than a month after the raids, the church filed a motion in US District Court demanding their documents back. They also filed a \$7.5 million suit against the FBI and two US Attorneys alleging excessive force and civil rights violations. At the same time, they went on a PR offensive, claiming the Snow White raids were done in response to an "exposé" the church had released a few weeks prior about a drug trafficking ring allegedly being run jointly by the FBI and Interpol.

Articles excoriating the bureau for its callousness and "gestapo-like" brutality were published in several major newspapers; agents from the LA Field Office sent a memo to FBI Director Clarence Kelley refuting the allegations.

Some things the agents felt they had to clarify to Kelley in the document, dated July 20, 1977:

No agents went into rooms occupied by unclothed occupants or burst into shower stalls where people were bathing.

No agent struck anyone over the head with a clipboard.

Agents did not chant 'We have a search warrant.' However, from the time of entry and periodically upon inquiry throughout the day, Church members were advised that the agents were on the property as a result of a federal search warrant, which was exhibited to anyone requesting to examine same.

All agents were properly attired in business dress throughout the entire period of the search even though working conditions were sometimes warm and in unventilated areas.

Since the documents seized by the FBI were part of an active investigation, officials couldn't reveal the extent of what they had discovered. Meanwhile, letters started pouring into the Oval Office.

"Dear Mr. President," read one, written in a looping cursive from a sender whose name was redacted. "I am writing to register my opinion in the incident involving the FBI's storming of the Church of Scientology offices in Washington and Los Angeles. I feel that everything in our power should be done to immediately halt this outrageous infraction of the 1st Amendment. It is the first step in the suppression of basic rights granted to individuals in this country. More importantly, I feel that if the FBI and Interpol are involved in drug trafficking [sic] then for god's sake let us thank the Church of Scientology for daring to expose it. To do anything else is to condone the FBI and Interpol's behavior."

\* \* \*

In the fall of 1993, more than 25 years after the IRS first revoked the church's tax-exempt status, the IRS unexpectedly reconferred it.

There has never been an official explanation from the IRS, which said that the terms of the agreement constituted confidential taxpayer information. The agency rejected a FOIA request by the *New York Times*, and Fred Goldberg Jr., the IRS commissioner who made the decision, said privacy laws prohibited him from discussing any of it. In 1997, the *Times* pointed out that (<http://www.nytimes.com/1997/03/09/us/scientology-s-puzzling-journey-from-tax-rebel-to-tax-exempt.html>) this stood "in stark contrast to the agency's handling of some other church organizations," noting that other high-profile tax settlements — televangelist Jimmy Swaggart's being one — came with a requirement by the IRS to disclose that they had paid all their back taxes as part of the deal.

The *Times* also found that the exemption "followed a series of unusual internal IRS actions that came after an extraordinary campaign orchestrated by Scientology against the agency and people who work there." Specifically, the *Times* alleged private investigators hired by the church dug into the private lives of IRS officials and conducted covert surveillance to "uncover potential vulnerabilities." They learned that Goldberg had instructed IRS tax analysts to "ignore the substantive issues" when reviewing the agreement.

Pouw paints a different picture: "By lawful means, the church demonstrated that it was entitled to charitable recognition by conclusively demonstrating that it met all the criteria, namely that its churches are organized and operated exclusively for charitable religious purposes," she told VICE News.

On October 8, 1993, Scientologists gathered at the Los Angeles Memorial Sports Arena to celebrate their hard-won victory over the IRS.

"The war is over," church leader David Miscavige told the crowd ([http://articles.latimes.com/1993-10-13/news/mn-45325\\_1\\_tax-exempt-status](http://articles.latimes.com/1993-10-13/news/mn-45325_1_tax-exempt-status)). "We have brought to an end 40 years of suppression of Scientology and Scientologists. Any discrimination or biased or unfair treatment of Scientologists by the IRS is over.... Our road to infinite expansion is now wide open."



## the FBI: Their greatest hits, part 2

Augustine's analysis of Scientology's publicly available tax data recently showed about \$1. (http://scientologymoneyproject.com/2015/01/29/1-7-billion-in-scientology-money-found-the-proof/)7 (http://scientologymoneyproject.com/2015/01/29/1-7-billion-in-scientology-money-found-the-proof/) billion in assets (http://scientologymoneyproject.com/2015/01/29/1-7-billion-in-scientology-money-found-the-proof/). Augustine said he and his wife — a former high-ranking Scientologist herself — just spent \$10,000 to fight off a legal challenge from the church, which alleged his wife posted copyrighted material to her YouTube account.

"The church now has to deal with a piece of art they don't know how to respond to," Augustine said. "So they're spending a lot of tax-exempt dollars to slander, defame, and attack. Tell me, how is that for the public benefit?"

Follow Justin Rohrlich on Twitter: @justinrohrlich (http://twitter.com/justinrohrlich)

Photo via Wikipedia (http://no.wikipedia.org/wiki/Scientologi#/media/File:Church-of-Scientology-Big\_Blue-Los-Angeles.jpg)

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**newMeme** • 3 years ago

All religions are just as nutty and just as much a for profit scam. Why should any of the religions get tax exemption?

10 ^ | v • Reply • Share ›



**Justin** ➔ newMeme • 3 years ago

Unlike all the other religions. Scientology has one clear leader David Miscavige who reaps from all the money and power the church acquires. It is more a cult than any other religion on the planet. Watch the documentary or read the book.

7 ^ | v • Reply • Share ›



**Aanthanur DC** ➔ Justin • 3 years ago

catholics, pope?

3 ^ | v • Reply • Share ›




**James Dean** ➔ Justin • 3 years ago

still a cult though

^ | v • Reply • Share ›



**Guest** ➔ Justin • 3 years ago

🎵▶️➡️< Splib Charlotte . if you think Joanne `s posting is impossible... yesterday I bought Saab 99 Turbo since I been making \$4059 this last five weeks and-also, ten thousand last-munth . it's definitely the easiest-job I've ever had . I began this 3 months ago and almost straight away started bringin in over \$77 per hour . website link, ▶️▶️▶️▶️▶️ -> ----->----->**READ FULL ARTICLE** <---- <---- <-

[illegible]

^ | v • Reply • Share ›



**K. R. de Molee** ➔ Justin • 3 years ago

1.2 billion people claim to be Roman Catholic, all under one supreme leader, the voice of god - Pope Francis. Justin, are you really that uneducated or that conceded you don't see that? By definition the Catholic Church would be more of a cult by population and world influence. Read a damn book, a factual one, and not just skim it either, READ before you start running your incompetent mouth.

^ | v • Reply • Share ›



**Justin von Grav** ➔ K. R. de Molee • 3 years ago

the scientology is coming off rather strong

^ | v • Reply • Share ›



**Josh** ➔ newMeme • 3 years ago

Most religions give back to the community.. and don't hoard vast amounts of moneys in their bank accounts.. Scientology on the other hand hoards 1.5 Billion In their 3 largest church's accounts. they have 20 some church's all with separate bank accounts. The wealth that they sit on and don't spend towards community improvement is in the billions of dollars. More than the 1.5 that we know about.

2 ^ | v • Reply • Share ›



**Aanthanur DC** ➔ Josh • 3 years ago

## Vatican city gives away all it's riches?

3 ^ | v • Reply • Share ›



**Theycallme\_Mick** ➔ Aanthanur DC • 3 years ago

That's just a red herring argument. Vatican City is not held to any kind of standard in the United States. Only the Catholic Churches are to be considered a religion within the U.S. Those churches do in fact give away any accumulated wealth to the betterment of the communities in which they are located.

So you can play the game of calling Catholicism a cult because it's a large segment of the population that follows one doctrine based on faith and no actual facts. But from a legal standpoint, the Catholic Church meets all criteria to be considered a religion by IRS - they provide charitable acts for the betterment of communities, they give money to help people, they do not accumulate any wealth.





(<https://news.vice.com>)

By comparison, that is a stark contrast to Scientology who does nothing to provide charity to people, does nothing to help the communities in which they serve, and hoard vast amounts of wealth on an annual basis.

1 ^ | v • Reply • Share ›



**Josh** ➔ Aanthanur DC • 3 years ago

— | 🚩

I'm not Catholic. I do not know how much the Catholic church gives back, but i'm sure its a decent amount. I don't believe they hoard billions though. Look it up. I'm not an encyclopedia.

1 ^ | v • Reply • Share ›



**BCLovesME** ➔ Josh • 3 years ago

— | 🚩

No. Just a little money laundering and profiteering. This has been in the news for over a year. <http://www.npr.org/2015/01/...>

2 ^ | v • Reply • Share ›



**K. R. de Molee** ➔ BCLovesME • 3 years ago

— | 🚩

Uh oh! Naughty naughty, god might not agree with that one. But I suppose the Pope can just say god spoke to him and told him this worldly money means nothing, keep it for the church the people don't need the money, they only need god. The church needs the money. ha... christ, the irony of religion will never end.

^ | v • Reply • Share ›



**skunk ape** ➔ Josh • 3 years ago

— | 🚩

Google is your friend. It took me less time to find this than write this response. <http://www.slate.com/articl...>

1 ^ | v • Reply • Share ›



**Shannon Talton** ➔ Josh • 3 years ago

— | 🚩

Cults are a step above. One of the main features is that they insist people stop seeing family members. Scientology does that. The day Miscavige is arrested I will dance in the streets. I also look down on Travolta for witnessing all this stuff and not coming forward. It's beyond selfish. There are things people should do even at great personal cost and this is one of them.

2 ^ | v • Reply • Share ›



**newMeme** ➔ Josh • 3 years ago

— | 🚩

So what? Oprah has more money than that!

^ | v • Reply • Share ›



**Brian** ➔ newMeme • 3 years ago

— | 🚩

Oprah pays taxes. Thats the difference.

4 ^ | v • Reply • Share ›



**newMeme** ➔ Brian • 3 years ago

— | 🚩

Oprah has more influence and power.

^ | v • Reply • Share ›



**Josh** ➔ newMeme • 3 years ago

— | 🚩

Oprah is a celebrity. Scientology is a cult

3 ^ | v • Reply • Share ›



**JackgarPrime** • 3 years ago

— | 🚩

"According to FBI reports, church members at the Celebrity Centre shut off the water so agents couldn't go to the bathroom."

Buddy, if you think that I'm not going to drop one in your bathroom just because it's dry and will get super gross after I'm done without the water, you've got another thing coming! At least in a Scientologist building.

4 ^ | v • Reply • Share ›



**Shannon Talton** ➔ JackgarPrime • 3 years ago

— | 🚩

Hey. They don't need it. They work very hard to be full of sh ! t.

^ | v • Reply • Share ›



**Jesse Prince** • 3 years ago

— | 🚩

I was one of those idiots out there sweeping leaves on the FBI agents as they raided in 1977. I was out in that horseshoe driveway with my broom.

3 ^ | v • Reply • Share ›



**K. R. de Molee** ➔ Jesse Prince • 3 years ago

— | 🚩

At least you are on a better path now.



EthanAllen1 · 3 years ago



L. Ron Hubbard was a mediocre science fiction writer; there is no meaningful distinction between his fictitious cult and any other based on magical conjuring.

As Usual,  
EA

3 ^ | v · Reply · Share ›



Shannon Talton → EthanAllen1 · 3 years ago



Dont lump L Ron Hubbard with all the other science fiction writers. I hate it when people use that fact as a reason to hate him. His being a writer is not material to him being a cult leader.

^ | v · Reply · Share ›



EthanAllen1 → Shannon Talton · 3 years ago



Re: **Shannon Talton** - Apr 20 @ 8:22 AM

"Dont lump L Ron Hubbard with all the other science fiction writers. I hate it when people use that fact as a reason to hate him. His being a writer is not material to him being a cult leader."

First, your admonition that I did **"..lump L Ron Hubbard with all the other science fiction writers."** is bull\$hit of your own invention!

Second, your bull\$hit is not a fact; it appears to be merely a predictable outcome of your very poor reading comprehension and desire to willfully misconstrue another person's words as "hate" speech.

Last, your declaration that, **"His being a writer is not material to him being a cult leader."**, is beyond ridiculous! Had he not employed his limited skills as a writer to invent and compose the doctrine of this cult, there would be no **"material"** evidence of its existence.

As Usual,  
EA

1 ^ | v · Reply · Share ›



Shannon Talton → EthanAllen1 · 3 years ago



It doesn't take a lot of imagination to create a religion. There are essentially templates on how to do it if you only skim a dozen or so religions. I think you are seriously over reacting to my statement. Or trolling. I hope you have a better day.

1 ^ | v · Reply · Share ›



EthanAllen1 → Shannon Talton · 3 years ago



Here again, your "statement(s)" are replete with misconceptions, redundancy, and pretended assumptions. The tone and substance of my reply to your initial "statement" was merely a response to your own indifferent attributions; not a reflection of my participation herein, or your imagined prescient insights regarding the nature of my day.

I do apologise for any acrimony I have engendered, and wish you well.

As Usual,  
EA

1 ^ | v · Reply · Share ›



dwolfcoach → EthanAllen1 · 3 years ago



Sometime the frosting seems sweeter, but the cake is still a steaming pile of hooley.

^ | v · Reply · Share ›



Bruce Hill · 3 years ago



One of the stand out things I got from watching the documentary was that Tom Cruise is a monumental psychopathic scumbag. What kind of man allows a cult to come between him and his wife and children? He seemed more enthralled with Miscavige than with his own family. Creepy....very, very creepy.

2 ^ | v · Reply · Share ›

(https://news.vice.com)

Shannon Talton

➔ Bruce Hill • 3 years ago

Travolta also need a bit of blame. He was well aware of horrible abuses and all these years later he still sticks by them. So what if he's gay or seriously kinky. His not standing up for the abused is far worse than any of that. He is essentially an acsesory to murder by not calling them out and allowing these horrific behaviors to continue.

1 ^ | v • Reply • Share ›

DANN28

• 3 years ago

It is not a damn Church it is a Cult ! They should NOT receive Tax exemption as a Church as it is a scam worldwide and besides that I do not see why ANY religion is entitled to Tax exemption in this day and age. Religions are mainly the cause of most wars and terrorism and peadophiles, I do not even see tom cruise B + movies due to the fact the money you spend to see his junk goes to the sicko Cult. IRS and Tax offices WorldWide should take a Class Action against them.

2 ^ | v • Reply • Share ›

Shannon Talton

➔ DANN28 • 3 years ago

The pu zz ys from the IRS weren't up to dealing with Scientology. How much money was lost to others not paying their taxes because they were rich during these guys watch. Just another example of the middle class getting it up the wazoo.

1 ^ | v • Reply • Share ›

Guest

• 3 years ago

i know this has nothing to do with the story but the first thing that stood out to me was that the agents didn't fire on the free-roaming dog. my, how times have changed.

3 ^ | v • Reply • Share ›

Brian

➔ Guest • 3 years ago

I was also shocked to learn that Scientology has a freakin navy.

1 ^ | v • Reply • Share ›

bruzote

➔ Brian • 2 years ago

Not only that, they detain their people on ships and subject them to continued physical and mental abuse. They put them in a cold antifreeze solution that they believe does something to them. Weird sh\*t. I don't recall the details. I read some of their internal documents on [clambake.org](#) back in 2000 or so before the cult successfully sued to prevent violation of their copyrighted church material. Yep, I never heard of any cult ever being so secretive they copyright their true religion. It's why you can't find their true and official beliefs. If someone publishes it, they lose their shirt in lawsuits. Their documents also sound like Goebbels and Hitler wrote them. They will use "all means necessary" to protect their religion from \*anything\* they feel attacks. Those words are part of their security apparatus charter or SOPs or whatever you call it. No religion has a security apparatus. Scientology does (or at least they did up through about 2000, now they probably renamed it Soft Kitten dept to throw off investigators).

^ | v • Reply • Share ›

Shannon Talton

• 3 years ago

I wish someone would get footage of Flag in Clearwater FL of the horrific imprisonment down there.

1 ^ | v • Reply • Share ›

ASPACEMAN

• 3 years ago

"...Any discrimination or biased or unfair treatment of Scientologists by the IRS is over.... Our road to infinite expansion is now wide open."

Only the IRS can stand between the church and infinity? If your goal was infinite expansion and an earthly administration is in your way, well you are not in luck.

1 ^ | v • Reply • Share ›

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Jaycasey

• 3 years ago

To one degree or another all religions are nutty but Scientology is in a class of its own. You'd have to have something wrong with you to accept their crazy foundation story. Thetans?

1 ^ | v • Reply • Share ›





(https://news.vice.com)



Jj TR • 3 years ago

I just hope that Vice News continues their exposé of Scientology in comming editions. Why not a documentary? They are great doing that.

1 ^ | v • Reply • Share ›



Jorge Cruz ➔ Jj TR • 3 years ago

I don't think they will but HBO has a Scientology documentary going into the workings of this community.

^ | v • Reply • Share ›



Josh • 3 years ago

The decision sets precedent. If any group of people has enough money, they can sue the IRS into giving them tax exempt status..

1 ^ | v • Reply • Share ›



Dumb\_Tim\_Armstrong • 3 years ago

The good news is I believe we are witnessing the end of Scientology:

<http://mankabros.com/blogs/...>

1 ^ | v • Reply • Share ›



Widohmaker ➔ Dumb\_Tim\_Armstrong • 3 years ago

Great, I hope we will also start witnessing the end of Religion as whole.

3 ^ | v • Reply • Share ›



K. R. de Molee ➔ Widohmaker • 3 years ago

Can I get an Amen brother!?... wait, wrong choice of words. I suppose us agnostics and atheists don't need that ;) However, it is doubtful we will ever reach that Age of Reason as a species, we will be long extinct before that day comes. Historically we certainly have had the opportunities to follow the path of science and enlightenment but we always - always fell right back into the dark deep and familiar hole of religion.

^ | v • Reply • Share ›



bruzote ➔ Dumb\_Tim\_Armstrong • 2 years ago

I don't believe it. It's like trying to wipe out polio. There are always some losers somewhere who manage to interfere with final eradication.

^ | v • Reply • Share ›



jamami • 3 years ago

Wasn't this religion created on a bet?

^ | v • Reply • Share ›



DoomPatrol • 3 years ago



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